

FAR EASTERN ECONOMIC REVIEW

Vol. XXII

Hongkong, May 30, 1957

No. 22

Problems of Farm Cooperatives in China	673	China	Philippines	
Basis of Light Industry in China (V—Fulfilment of First 5-Year Plan)	675	Peking's Directive on Contradictions	Reports from the Philippines	696
Russia's Satellites: Asset or Liability	678	Communist Pretence of Reform ..	Economic Letter from Manila ...	697
Paper Money in Modern China (Part III)	679	Japan	Hongkong	
United States Aid to Far Eastern Nations	683	Economic Reports from Japan	Hongkong Notes and Reports	697
		Economic Letter from Tokyo	Hongkong Industrial Developments	698
		Taiwan	Finance & Commerce	
		Free China's Foreign Exchange and Trade Operations in 1956 ..	Hongkong Exchange Markets; HK Share Market; Singapore Shares; Trade Reports	701
		Singapore	Hongkong Company Incorporations	704
		Political Developments in Singapore		

PROBLEMS OF FARM COOPERATIVES IN CHINA

There is still plenty of friction in China within the joint enterprises, and the economy-minded managers must find the useless, wasteful and interfering State, Party and other personnel and committees sitting beside them an almost insufferable burden. But the capitalists and shareholders are still getting enough to live on out of the wreckage of private enterprise through the 5% interest, and the managers get salaries at least as good as they had before. But the real issue of the revolution, like its real beginning, will be fought out in the farm co-operatives. If things go well for the millions of peasant households, collectivism will stay; if not, it will be broken into pieces as the Polish farmers have done. The Communist leaders have every reason to be more concerned about the temper of the peasants than of the industrial and city workers. They have insisted that what they call democratic management must be introduced as completely on the farms as in the factories. The peasants must be dragged into every discussion and every act of policy so that if anything goes wrong they will have themselves even more than the Party people to blame. It is a very astute concept save that when things do actually go wrong the individual generally blames everybody but himself—and there is a very ancient prerogative of the people to blame Providence through their rulers.

Vice-Premier Teng Tzu-hui is an important personage in Peking. Among other functions he is Head of the Department of Rural Work of the Central Committee of the CCP. As such he virtually directs peasant policy, and he recently laid it down that democratic management of the APCs is the essential principle to be followed. The old contradictions between landlord and peasant and between

capitalism and socialism had been resolved, he proclaimed, with the overwhelming rush of the peasants into the co-operatives. The new contradictions were among the people themselves, and this was, he insisted, consistent with the law of development of society. Solutions must be sought by consulting with the masses at every turn and making them share in the decisions—except, of course, that they must not go back into what has already been done and challenge the whole policy of collectivism? So there must be plenary meetings of elected representatives of the members of the APCs. These representatives must come from all categories from the poor and middle to the richer peasants and from the youths, the women, and the aged as well. None must be left out to proclaim "I told you so," though it will be found by the Party people that they overlooked one thing—the differences of view such a mechanism must bring out, the persistence of these views, and the emphasis upon those, whether of the Party or of the farming folk, who favoured other ideas.

Discussion meetings with veteran peasants are also to be held periodically, and those of experience are to be invited to become advisers to the APCs. The co-operatives are not to map out plans for the production teams down to the last detail, but should allocate to them a certain amount of work and set for them the targets of output and cost. Teams which over-fulfilled their targets should be given higher remuneration. The accounts of the APCs are also to be made public. In the distribution of the income of the APCs, the amounts allocated for the common fund and the welfare fund should be in proper proportion to the incomes of the individual members and the principle of "to each according to

his work"—the modern and familiar variant of the orthodox Marxist slogan, which stresses need. These policies, it is felt, would help to improve the relations between the State and the co-operatives and between the latter and their members.

Vice-Premier Teng presented a 6,000 word thesis to the Peking People's Daily on May 7 which set forth these points in great detail. He discovered half-a-dozen major contradictions (or conflicts) in the APCs before explaining the methods to be adopted in settling them. There are contradictions between the State and the APCs, relating to the production plans set before the peasants, when farm produce is procured and marketed under centralised plans, when the prices of farm produce and manufactured goods are fixed, when the processing of farm produce is organised or when the tax rates and collection of agricultural and secondary products are determined. There are, secondly, contradictions between the APCs and their members—i.e., between the collective and personal interests of members. They quarrel whether to deduct less and divide more or to deduct more and divide less. The guiding principle is a higher income for 90% of the APC members and to divide more rather than less. They quarrel also about whether side occupations should be concentrated in the hands of the APCs or scattered among members. A Party Centre directive corrects the deviation of concentrating side occupations in the APCs and restraining members from undertaking side occupations.

There are contradictions also between APCs and the production teams. These call especially for urgent solution, and more power is to be given to the production teams in place of the rigid control by the administrative committees. Contradictions developed between middle and poor peasants on the prices fixed for draught animals, carts, trees, and fruit trees, which were too low and payment too slow. There are conflicts also between APC members over strong and weak labour power, a higher and a lower technical level, between farm labour and non-farm labour (handicraftsmen, dealers and peddlers) and between over-drawers and depositors. There are contradictions between teams, mainly between poor villages and rich villages and poor and rich teams. Rich villages and rich teams must be properly taken care of and ensured against loss, while poor villages and poor teams should be given help as regards production.

There are contradictions between cadres and the masses—and how! APC cadres, however, are simply answerable to the higher level and obedient to the higher level, not knowing that they should also be responsible to the masses and listen to their opinions. "Some APC cadres still resort to methods

of compulsion; they take no part in production, get too much allowance in the form of compensatory wage points, keep the accounts to themselves, and even commit embezzlement and malpractice." Because of this (and other things, no doubt) APC members are not satisfied with cadres, and the problem is especially serious in the case of those APCs whose output has dropped. The accumulation of such discontents has set APC members against cadres and even caused agitation for withdrawal from the co-operatives. Hence the decision to transfer cadres to take part in actual production, to show veteran peasants due respect, and to make the accounts public: new phenomena in the countryside which are allegedly normalising relations between cadres and the peasants. There are also conflicts between the APCs on the one hand and the supply and marketing co-operatives and credit co-ops on the other; in particular contradictions exist between the APCs and the handicraft co-operatives.

Unless these conflicts were solved in time the Party will be divorced from the masses, the enthusiasm of the peasants will be killed, and the development of the productive forces be impeded. They had to be solved by carrying out the guiding principle laid down by Chairman Mao Tse-tung and the Party Centre—by arousing the masses to distinguish the right from the wrong, persist in the right, correct the wrong through criticism and education, and achieve new solidarity. In a word, says Vice-Premier Teng Tzu-hui, the policy of democratic management of APCs must be seriously carried out. The peasants must be made "masters" of the APCs, and the leadership must follow the mass line. Then the decisions, though they may be wrong, will not lead to blame of the leadership from the masses.

The solutions, based on so-called democratic management, really provide for more rather than less organisation, for innumerable meetings, conferences and consultations—all very useful to the adolescent in the paths of democracy but all very tiring to the poor farmer who has his work to do in the fields. He once, and not so long ago, belonged to a society which virtually governed itself; whose only knowledge of government was of the *hsien*: the magistrate who was supposed to administer the county but let the county go its own way and the people run their lives in accordance with the precepts laid down by the ancient sages. It was a way of life destitute of letters or newspapers, insofar as the countryside was concerned. It was a regime depending on an Edict or so from the Throne and for the rest on the spoken word. They did not need tons and tons of newsprint or paper and their lives were almost entirely governed by themselves. Now all is changed and the permanence of these changes is now in China the supreme issue of our time.

THE BASIS OF LIGHT INDUSTRY IN CHINA

V. FULFILMENT OF THE FIRST FIVE-YEAR PLAN, 1953-57: VARIOUS CONSUMER GOODS

By Professor E. Stuart Kirby

(NOTE: For preceding articles in this series, see FAR EASTERN ECONOMIC REVIEW, issues of March 28, April 11, April 25, May 23, No. 13, 15, 17 and 21 of Vol. XXII).

The present article continues the review of the data on the fulfilment of the First Five-Year Plan in respect of light industries, begun in the preceding article (IV), which dealt with textiles and basic foodstuffs.

1. CANNED FOODS

Reference should further be made to tinned foodstuffs, which also figure in current planning. Not much information is available, however, on this. China had a certain number of canneries, on a small scale, before the Communist occupation. There are now, according to Peking statements, more than 30 canning factories equipped with automatic or semi-automatic machines. The total output of canned food in 1956 was reportedly a "twofold increase" over 1952, but no actual figures are cited⁽¹⁾.

Canned goods figure quite notably in Communist China's export list. It was announced that exports of canned foodstuffs in 1954 exceeded those of 1950 by ten times. And again that such exports expectedly amounted in 1955 to 20,760 tons, an increase of 72% over 1954, or 26 times the 1951 level⁽²⁾. From which we may calculate:

TABLE I

Export of Canned Foodstuffs from China (tons)

1950 :	1,097
1951 :	464
1954 :	12,070
1955 :	20,760 (est., Nov. 1955)

A further increase was claimed for 1956, and it was stated that the variety of canned goods available was widened in that year, with expanding demand both at home and abroad.

2. TEA

The mainland China tea-crop lags behind former levels. Some green-tea producing districts have been shifting increasingly to the production of black tea, which is preferred by the Soviet Union and East European countries for import.

The output of tea in 1953-4 was reported as not fulfilling the Plan target, due to poor weather, but as being somewhat higher than in 1952. By the end of 1953, over 4,000 hectares of former tea-gardens were "reclaimed" or rehabilitated, and another 1,260 hectares planted in Fukien⁽³⁾. In 1955, 15 tea-growing provinces joined in a drive to open new tea-plantations totalling over 40,000 hectares, in order to increase tea production and exports.

TABLE II

Production and export of tea

	(tons)	
	Output	Exports
1952 :	82,400	N.A.
1953 :	84,700	N.A.
1954 :	92,100	21,350
1955 (Plan) :	108,000	25,000
1956 :	N.A.	N.A.
1957 (Plan) :	111,850	N.A.

For the only two years for which an export figure is divulged, it is interesting to note that 20-25% was exported, and that while production increased only about 9% between those years, exports increased about 17%. It would appear that the 1957 target could easily be reached, but that represents about half of pre-war.

3. SALT

Owing to bad weather and other conditions, the output of salt (excluding "handicraft" production) declined seriously in 1953. A great increase was decreed for 1954, but the plan for that year was only 87% fulfilled, so production remained below the 1952 level. Despite efforts in 1955-56, not only to extend the coastal salt-beds but to develop salt-mining in Inner Mongolia, production is still below the target; by how much, is not revealed, but evidently much.

The Five-Year Plan's aim is to increase the output of salt to 7,554,000 tons (5,932,000 factory-made and 1,620,000 hand-made) by 1957. But it is stated that much construction and reconstruction remains to be done before production can be raised this year by even half a million tons⁽⁴⁾.

TABLE III

Salt Production (000 tons)

(excluding hand-made):

1952 :	3,460
1953 :	2,118
1954 :	2,938
1955 :	N.A.
1956 :	N.A.
1957 (Plan) :	5,932

4. CIGARETTES

The output of cigarettes is also far from fulfilling the Plan, though it has increased. It evinces also the kind of fluctuations which are especially painful to a rigidly planned economy. According to official reports the production of cigarettes increased 40% by 1954, but declined in 1956, the latter year showing only 20% above 1952. The Five-Year Plan scheduled an increase of 50,000 cases in every year of the Plan period. But the actual output in 1956 was only 89% of the 1955 figure and 85% of the 1954 one, which was the highest yet reached.

Yet the production of cured tobacco progressed very favourably, overfulfilling its plan; this is a clear case of shortfall on the manufacturing side. Cured tobacco production reached its 1957 target a year ahead of schedule. The major growing districts, such as Shantung, Yunnan, Kwangtung and Anhui increased their output, through extension of acreage. Increased production in 1956, over 1955, is reported as follows⁽⁶⁾:

Increase 1956 over 1955

Yunnan	930,000 piculs
Shantung	520,000 "
Kwangtung	100,000 "

Hsuanchang, Anhui, and other important producing areas are reported to have increased their yield per acre in 1956⁽⁷⁾.

TABLE IV

Production of cigarettes and cured tobacco

	Cigarettes (000 cases)	Tobacco (000 tons)
1952 :	2,650	222
1953 :	3,552	215
1954 :	3,728	232
1955 :	3,567	298
1956 (est.) :	3,180	423
1957 (Plan) :	4,700	390

5. PAPER

The drive for national self-sufficiency in paper has been very marked, and distinctly successful; overflowing in fact into exports. Some success is claimed in balancing the supply of machinery and equipment between pulp-making and paper-manufacturing, and in promoting the manufacture of types of paper for industrial use, which were difficult points from the outset.

13 large paper-mills were to be built or renovated under the plan (of which 10 were of the largest size, representing an investment of over 3 million JMP each, and 7 were to be completed in the Plan period). Locations are given as Kirin, Yingkow, Chiamussu, Canton and Tientsin. Of these the following 4 are reported on officially, with the details given below.

(i) **Chiamussu Paper Mill**, of which construction began in 1953, is the largest in China, with an annual production capacity of 50,000 tons of paper and 50,000 tons of pulp. The work has been dependent on Russian assistance. It was completed and started production in 1956.

(ii) **Canton Paper Mill**. After 1953, "this well-known mill basically completed its expansion", and came into production in 1956. It is China's largest and most modern newsprint plant, with an annual capacity of 60,000 tons, six times that of 1953.

(iii) **Anhui**. In April 1954, a new paper mill in Anhui was reported to have been constructed, to produce mainly tissue-paper and cigarette-paper.

(iv) **Kiangsi**. The Kiangsi Paper Mill at Nanchang, reportedly completed and put into operation in October 1953, is one of the most important ones in the Central South area. It is to produce paper for "cultural" uses, and is designed for, and equipped with, machinery made in China⁽⁸⁾.

The production of machine-made paper outstripped the 1957 Plan target by 8%, in 1956 already. Over half of this output was newsprint, 53,000 tons paper for industrial uses, and the rest printing and writing paper. This seems to be

very much more of newsprint, and proportionately less of other types, than was originally scheduled in the Plan. The China Paper Industry Administration, however, makes larger claims, representing the 1956 output as twice that of 1952, and four times China's pre-1949 peak.

The whole Plan for paper seems to have been revised in an upward direction, during its currency. It is stated that production of paper was to be increased by 186,000 tons altogether during the Plan (cf. original schedule 128,000): of which 40,000 tons of additional capacity were to be commissioned in 1953, rather more in 1954 and in 1955, and production was to rise in 1956 by 44,700 tons of paper and 44,200 tons of pulp.

The shortage of raw materials for this industry has avowedly been serious, especially in Shanghai, but production increased remarkably in "30 different varieties" of the product. Self-sufficiency is claimed; and since 1954 a considerable amount of newsprint has been exported to "Viet-minh, India and other Asiatic countries".

TABLE V

Production of paper (machine-made)

	(in 000 tons)	index
1952	372	100
1953	427	115
1954	556	150
1955	589	158
1956	710	191
1957 (Plan)	655	176

The target for the current year 1957 has accordingly been raised, to 830,000 tons. There is special emphasis on raising the production of paper for industrial use; for the paper used for bags for packing cement, particularly, a 60% increase in production is required.

The above refers solely to machine-made paper. It will be recalled that the handicrafts sector was of distinct importance in this industry. The "native paper" industry is reported to have declined year by year since 1954. Estimated output in 1956 was about 50,000 tons less than the amount scheduled for State purchase in that year.

Here again, we find two contradictory trends. Ostensibly, the plan has been overfulfilled, in total, in this commodity. Machine-made paper production reached 710,000 tons in 1956 and is scheduled to be 830,000 in 1957; so that it was widely assumed that the hand-made paper industry had "no future", and would be replaced by the machine-manufacture; and it declined. Nevertheless, most recently, the total output appears to be insufficient—not only in special industrial types, etc., but over all—and there are renewed exhortations to revive and expand the hand-made supply, which is to use straw-pulp and rice-pulp as raw materials instead of bamboo and wood. This is significant of the difficulties about raw materials, which are a main characteristic of the present situation⁽⁹⁾.

6. RUBBER

At the end of October, 1956, China's rubber industry reached its 1957 Plan target, 14 months ahead of schedule. This is largely attributed to the rapid restoration of pre-existing plants, and the expansion of one rubber-tyre factory in East China and another in Manchuria, during 1953-6, according to the Rubber Administration of the Ministry for the Chemical Industry.

1956 reportedly showed an increase in the production of the principal types of rubber manufactures: tyres, includ-

ing new types for heavy duty trucks and passenger cars, tractors and passenger cars, and rubber footwear. In 1956, tyre output was 82.5% above 1952, and footwear output 50% above.

TABLE VI
Output of the Rubber Industry

	Tyres (000s)	Footwear (000 pairs)
1952	417	61,690
1953	488	69,700
1954	701	77,400
1955	593	89,970
1956	761	93,000
1957 (Plan)	760	108,310

Production of rubber materials in Hainan Island is still on a trial basis, without much result as yet. Imports from Ceylon, Indonesia and Singapore have increased, with Ceylon as the main supplier under barter-trade agreements, originating in the compact in October 1952 for the annual exchange of 50,000 tons of Ceylon rubber for 270,000 tons of Chinese rice. In October 1956 there was arranged the exchange of 5,000 tons of rubber from Singapore for Chinese light-industrial products to the same value. China's current requirements are believed to be covered by imports from these and other sources⁽¹⁰⁾.

7. PHARMACEUTICALS

Investment in the pharmaceutical industry in the First Five-Year Plan had two main aspects: the production of medical materials, and that of equipment. Four new factories were reportedly built since 1953, according to plan; and 45 workshops or laboratories in pre-existing installations newly developed or expanded. A new anti-biotics factory would be completed by the end of 1957, with an output-capacity of 60 million international units. The trial-production of items using domestic materials is particularly stressed, of course. The 1956 output was given by the National Planning Conference of the Pharmaceutical Industry as 4.28 times that of 1952, or an increase of 30.3% over 1955.

According to the original plan, 1957 output was to be six times that of 1952 (though how much is included of Chinese traditional herbs, drugs, etc., is not clear). Presumably the plan has in general been already fulfilled. Moreover, the variety of drugs produced in China appears to have greatly widened: compared with 30 varieties in 1949, it is stated, there were 152 in 1956, including penicillin, syntomycin, and sulpha-drugs.

In 1955, as compared with 1952, there was a 173-fold increase in the production of penicillin, and an 11-fold increase in that of sulpha-drugs. In the 12 months ending November 1956, more than 13 million I.U. of penicillin, over 9,300 kgs. of syntomycin, and 1,349,900 kg. of sulpha-drugs were produced. The output of penicillin was 151%, of syntomycin 156%, and of sulpha-drugs 159%, of the 1957 end-target figures in the Plan. The National Planning Conference recently prescribed further increases of output to be achieved in 1957 in the following items: ampoules for injections by 36% and tablets by 9%; and trial-production was to be started of no less than 118 new items in 1957.

The plan appears to have been fulfilled, in this category, and greatly expanded. It is hard to judge, from the particulars given, the full effect; but, despite expansion, the industry can hardly be expected to cope with all the grave medical needs of China, which represents quite a super-human task.

PERSPECTIVE OF RESULTS OF THE FIRST FIVE-YEAR PLAN

The above completes our review of the starting-points of light industry in Communist China, and the progress made in its different branches in the period of the First Five-Year Plan.

Despite various discrepancies and unevennesses, in some cases quite marked, the statistics and reports generally show broad fulfilment of the Plan—with, perhaps, relatively rather minor shortfalls, and some over-fulfilment in places, as far as the target-reaching and percentages are concerned.

Why then—we are forced to ask ourselves all the more strongly—why then the present fuss and bother? Why the avalanche of complaints, from all over the country and every part of the economy, of shortages and shortcomings? The difficulties, the increasing hardships, are obvious to anyone with first-hand (or even second-hand) knowledge of China. There is abundant evidence of them in the official Party utterances and the Communist Chinese press. It is no secret, even in those sources, that protest and resentment are very widespread among the Chinese people, of all districts and all social classes.

The discontent centres on the question of the "balance" or "proportionality" between light and heavy industry; between producer goods and consumer goods, between "guns or butter" (which must now be translated into Chinese as "blast furnaces or rice"). The regime admits the crisis frankly—while its apologists and fellow-travellers abroad continue to ignore it—and has modified its Second Five-Year Plan accordingly.

China's Second Five-Year Plan will still concentrate very much on heavy-industrial development, but the residual proportion allowed to light industry will be somewhat increased. In 1956 it was announced that the proportions of planned investment between heavy industry and light industry would be changed to 87.5% to 12.5% respectively, i.e. about 7 : 1, as compared with the previous 8 : 1.

The reasons for the present crisis are rather numerous and complex. The next article in this series will be devoted to a further assessment of them. Meanwhile, some preliminary points of perspective are offered here, which it is essential to consider immediately in connection with all the details given above.

1. The First Five-Year Plan, though a considerable and exacting effort, in any case represented something far short of filling all the needs of China, which are gigantic, or virtually infinite—the needs of one quarter of the human race. The Communists' own perspective is that four or five such plans are required for the industrialisation or modernisation of China.

2. The contradiction became swiftly starker between the aims of the regime (which were to build up heavy industry to the extent of giving 8/9ths of all investment to it, and only 1/9th to consumer-goods industries) and the aims of the people (which were to have an immediate rise in the standard of living; which is, for the great majority of them, still below a decent subsistence). The people want—or rather, need—if not 8/9ths investment in light industries, at any rate some more reasonable proportion, say 6/9ths. The prospect of four more Five-Year periods at 8/9ths or 7/8ths blast-furnaces and 1/8ths immediate improvement in living standards, is altogether unendurable to the Chinese people.

3. All the figures of fulfilment are merely quantitative. In terms of quality, fulfilment was very much less satisfac-

tory, as is proved by an abundance of information from Communist sources. Similarly, they are all **production** figures, and the **distribution** was far less satisfactory. The continuance (and actual intensification) of **rationing** speaks for itself.

4. The extreme **fluctuation** in the rate of progress is very marked. It leaves the fluctuations of contemporary capitalism, of which Communist propaganda makes such a point, quite in the shade. Many of the graphs in Communist China, after a swift rise in the initial phase, sagged woefully in the period 1953-55, then rose steeply again in 1956. Meanwhile, the various branches and aspects of industry developed at various rates and to varying extents; some overfulfilled the plan, some fulfilled it exactly, others fell short. The output of agricultural materials was the most unplanable of all, in this connection, and the shortfall in this respect was a main "bottleneck". The total value of production in light industry rose 28.4% in 1953 over 1952. In 1954, it rose a further 14%. In 1955, however, it rose only 1% owing to raw material shortages. But in 1956, it rose again by 17%.⁽¹¹⁾

5. A pace of labour intensification and forced saving was set which can hardly be maintained as a long-term prospect—or even a comparatively short-term one.

These factors weighed on the light-industry sector even more than on other sectors. We have noted, for example, the high rates of State profit in the textile industries, and the present reasoning that these may be further developed with a view to squeezing them for still more State profits which may be turned over to investment in heavy industry. Regarding labour-intensification we have noted, for example,

risers of output per unit of labour of the order of 65% in five years in light industries. The corresponding rise over the whole field of industry, in all State-owned and joint public-private industrial enterprises was much smaller. In 1954 as compared with 1953, for example, it was 10% only; in preceding and subsequent years, it was higher, but evidently very much less than in the light industries.⁽¹²⁾

These and other factors will be examined more fully in the next article, in a forthcoming issue of the FAR EASTERN ECONOMIC REVIEW.

NOTES

- (1) Ta Kung Pao, Peking, Dec. 30, 1956.
- (2) *ibid*, November 6th, 1955.
- (3) Far Eastern Economic Review, Nov. 4, 1954.
- (4) The China Mainland Market under Communist Control, by Cheng Chou-yuan; FEER, May 12, 1955.
- (5) Cheng, *op. cit*: Ta Kung Pao, Feb. 19, 1957.
- (6) China Weekly, XVII, 6; 7 Feb. 11, 1957.
- (7) Report by State Statistical Bureau, 1954; FEER, July 19 and July 26, 1956; Ta Kung Pao, Peking, Dec. 30, 1956; China Weekly, Feb. 11, 1957.
- (8) Analysis of the Five-Year Plan, by Cheng Chou-yuan; NCNA, Peking, Dec. 16, 1956; Nan Fang Jih Pao, Canton, Jan. 9, 1957.
- (9) NCNA, Peking, Jan. 28, 1957; FEER, May 12, 1955; *ibid*, July 28, 1956; Shabad, "China's Changing Map", pp. 65-9; South China Morning Post, March 1, 1957.
- (10) NCNA, Peking, Dec. 7, 1956; Report of State Statistical Bureau, 1954; Ta Kung Pao, Dec. 30, 1956; FEER, July 19, 1956; China Weekly, XVII, 214-5, Feb. 1957; Cheng "China Mainland Market".
- (11) Report of State Statistical Bureau, 1954; Report by Chia To-fu, June 19, 1956; Hsueh Hsi, No. 99, Sept. 2, 1956.
- (12) *ibid*.

RUSSIA'S SATELLITES: ASSET OR LIABILITY

By William Wells

In 1955 and last year, the Russians were confident of an increasing flow of satellite food, clothes and goods many of which they preferred to their own shoddier products. Now they and their leaders know the days of enjoying the loot of half a continent are over. They are beginning to appreciate the profound change that has taken place in the rouble area following the revolutions in the satellites, a change that could have most serious consequences for the Soviet economy.

This change is that the satellites, the Communist countries of Eastern Europe and East Asia, have become a liability instead of an asset to the Soviet Union. For ten years, the Communist Governments of Eastern Europe have screwed wages and living standards down to a point where starvation and desperation drove the workers beyond high discontent to the barricades. It is more than a coincidence that the foremost in revolt, the Poles and the Hungarians, also share the unpleasant distinction of having the lowest levels of real wages in Europe.

Since the war, the Soviet Union has levied huge and growing tributes of every sort of goods and services from all the countries, tributes such as Polish coal, Rumanian and Hungarian oil and uranium, East German and Czech machine tools, and manufactures of all sorts. These huge tributes levied from their subject peoples have made a considerable difference to the nonetheless low standard of living in the Soviet Union. It was as if a West European

country had a useful fraction of its imports for about a tenth of their proper prices.

That is all changing. Since the revolts and the manifestations of discontent all over Eastern Europe, Soviet exploitation has been curtailed, just how much curtailed we have yet to find out. In addition, the Soviet regime has had to come to the aid of the satellites with credits, promises of quick deliveries and agreements which allow the satellites to keep more of their own products at home.

Hungary's payments position has been eased by Russia's cancelling of her spurious debt. Poland's outstanding debts to the Soviet Union have been written off in part compensation for losses incurred through the notorious "political" coal deliveries (the cancelled Polish debt is only a small part of Polish counterclaims which have been estimated at no less than \$3,000 million).

The sizeable Soviet credits promised during the past year alone to the Eastern European countries are more than a third of what the U.S.S.R. has lent over the past dozen years to all the Communist countries, including the Far East.

Moreover, she has had to give an increasing part of this aid in free currency, that is sterling, dollars or francs. This is a most significant development in Soviet relationships with the Communist bloc countries; it marks a reversal of the consistent Soviet policy to keep as much as

PAPER MONEY IN MODERN CHINA (1900-1956)

By E. KANN

PART III

(4) THE BANK OF COMMUNICATIONS

It was on December 8, 1907, that the Bank of Communications received its charter. Actually, its foundation was tantamount to creating a rival to the already existing government institution, the Hupu Bank. As regards the avowed aims of the new bank the following quotation from the original petition gives particulars:

"Ch'en-pu, President of the Board of Posts and Communications, and others, reverently submit this Memorial praying sanction to establish a Bank of Communications, which shall be the means of uniting under one control steamship lines, railways, telegraphs, and postal facilities, and of recovering certain profits."

In the petition it was specified that, amongst other useful functions, the bank was to negotiate loans for the construction of railways and to take care of the many intricate questions in connection with transactions in foreign exchange.

The Bank of Communications' first capitalization was Kuping taels 10 million, of which one-half was to be paid in at once. The Government was to subscribe for two-fifths of the shares, while the public was offered the remaining three-fifths. The private stock was heavily over-subscribed. The Revolution of October, 1911, naturally had a derogatory influence on the earning power and the status of the bank.

possible of Communist trade moving within the rouble area.

Not only has the Soviet Union been forced to allow the expansion of Communist trade with the free world but she has had to provide the satellites with the money to pay for their imports. This is an important reason for the record sales of Soviet gold since the Central European revolutions.

So much for the picture, what are the consequences? Firstly, the considerable dislocation of Soviet and satellite economic planning which these changes and the bettering of living conditions in the satellites have brought about. Secondly, the Soviet drive to gain influence and win economic power in the underdeveloped countries has, for the time being at least, been blunted. Thirdly, the Soviet Union has slowed down her rate of economic expansion (there are many other reasons for this) and the chain reaction of greater economic independence has thrown out of gear the network of the dove-tailed Communist industrial plans.

But, in the long run, the greatest effects will be on the minds of the Soviet workers themselves. The great upheavals that followed the plundering of Eastern Europe is the common talk of Moscow where, too, workers have a desperately low standard of living. The reason for the return of Molotov, the frantic "vigilance campaign" and the party's struggle to silence the more outspoken intellectuals is not mainly to contain their criticism. It is to stop the mass of the Soviet workers learning the one fundamental truth that must, in the long run, bring down the Soviet regime, the knowledge that the workers in the West live much better than the Russians without making the bone-wearying exertions and sacrifice constantly demanded of the Soviet people.

However, both in 1914 and 1915, very satisfactory profits were made.

In 1914, the Bank of Communications secured a new charter, involving the sanctioning by Presidential Mandate of another set of regulations. It was a generally known fact that the Bank of Communications was a hot-bed of politics and a tool of the Chiaotung clique,* which latter was commanded from the rear by Liang Shih-yi, whose office was at one time compared in an official document to "a mountain of copper and a mine of gold."

Yuan Shih-kai's aspirations to the throne, in 1915 and 1916, were directly assisted and financed by Liang Shih-yi, who placed the resources of the bank at Yuan's disposal. The tragic end of those aspirations is too well known to need detailed description here. It led to the Moratorium Order of 1916, of which more will be said at a later stage.

The policy of the Bank of Communications during the first ten years of its existence did not run parallel to the avowed purpose stated at the time of its foundation. It was much more an open rivalry with the Bank of China, and a struggle for the custody of government funds. In 1913, a member of the Upper House, a representative of the opposition party—the Kuo Min Tang—had the courage to impeach the Yuan Shih-kai Government for unconstitutional acts in connection with the Bank of Communications attempts to usurp the privileges which had been granted by law to the Bank of China. The Bill went through the first reading in the Chung Yi Yuan on July 3, 1913, but nothing was done in the matter until November, when Yuan forced all the members of the Kuo Min Tang to leave Peking, thereby reducing the membership of both Houses below the quorum required by law.

While there were resignations of officers of the Bank of China as a protest against the Moratorium Order of 1916, and disobedience on the part of other officials serving the said bank, the staff of the Bank of Communications did not distinguish itself by acting similarly.

The original capital of Kuping taels 5 million had in 1910 been converted into \$7,500,000. In 1922, an adjustment took place when the authorized capital was raised to \$20 million; but at the close of that year, the amount paid in aggregated \$7,578,950. It remained at an analogous level until a new charter was granted to the Bank of Communications on November 17, 1928. Then the capitalization was fixed at \$20 million, of which 20% was allocated to the Government, and the remaining 80% to private shareholders.

It was in November, 1928, that the Chinese Nationalist Government caused the reorganization of the Bank of Communications, granting it a special charter and authorizing it to devote its energies toward acting as the medium for the industrial development of the country. Its scope of activities was then specified as follows: (a) to issue and redeem public bonds on behalf of industrial organizations; (b) to continue handling revenues and defrayments of communication enterprises; (c) to undertake the promotion and development of industries in China; (d) to discharge duties

* The Chinese name for the Ministry of Communications was "Chiaotungpu".

imposed upon it by the National Treasury and (e) to issue banknotes with the permission of the Ministry of Finance. By the close of 1936, the Bank of Communications had 100 branches in China.

Note Issue

The Bank of Communications' second charter of April 7, 1914, contained the following Article in connection with authority to issue banknotes:

"Article XIII. With the special permission of the Government, the Bank of Communications may issue banknotes. This shall be done in compliance with the banknote regulations determined by the Ministry of Finance; but the bank shall have to submit the form, number and time limit to the Ministry of Finance for approval."

In 1922, an independent note-issuing system was inaugurated. The issue territories were divided into districts, and general and branch issue treasuries were created to administer the affairs of each district. The emission of notes was thus separated from ordinary banking business, and the figures of reserve funds held against banknotes were henceforth made public at regular intervals. This procedure marked the opening of a new period in the note-issue operation of the bank.[†] In common with the Bank of China, the head-office of the Bank of Communications was toward the end of 1928 transferred to Shanghai.

The following table contains details in connection with the banknote circulation of the Bank of Communications during the republican regime:

End of	Outstanding	End of	Outstanding
1912	\$ 793,558	1927	\$ 65,096,889
1913	4,498,762	1928	8,026,114
1914	5,957,627	1929	69,221,512
1915	24,863,110	1930	82,893,785
1916	21,297,891	1931	81,098,080
1917	28,603,836	1932	82,424,683
1918	35,184,563	1933	83,111,369
1919	29,272,653	1934	103,234,850
1920	39,170,192	1935	176,244,950
1921	30,143,233	1936	295,045,825
1922	32,523,840	1937	371,143,585
1923	38,517,613	1938	321,859,495**
1924	41,613,418	1939	546,456,070**
1925	48,337,133	1940	727,566,790**
1926	57,136,466		

Owing to the 1911 Revolution, the Bank of Communications, in company with the Ta Ching Bank, suffered great losses, to recuperate from which it took some years of constant endeavor. The imperial adventure, initiated by President Yuan Shih-kai, because of its failure, formed another mighty obstacle toward recovery and smooth working. For many years the Bank of Communications felt the after-effects of its folly. Lack of confidence, as well as lack of sufficient means, caused a severe setback to the bank's career.

The Moratorium

The two national banks with head-offices in Peking, namely, the Bank of China and the Bank of Communications, were forced in 1916 to suspend payment in the metropolis. The insolvency was not brought about by their conduct of ordinary banking transactions, but entirely by the desperate need for funds by the Peking Government under the late Yuan Shih-kai. The latter, it ought to be remembered, had served as the last Premier of the Manchu imperial regime; yet, he did not hesitate to assume the role of the chief-guardian of the Republic soon after its innovation. He lost no time in making himself dictator, and as such he

composed his own Constitution, dissolved Parliament and passed a law which was to determine in what manner his successor in office should be elected. He encouraged the formation of a society to discuss and propagate monarchical doctrines in order to finally "accept" in December of 1915 the exalted rank of Emperor of the projected Hung Hsien dynasty.[‡]

Already in years gone by, Yuan had proved to be a treacherous hypocrite. It was therefore natural that the staunchly republican provinces distrusted him and became averse from lending support to his nefarious machinations. Hardly had he accepted the throne when a revolution against his planned rule broke out in Yunnan Province. This meant heavy expenditure from the National Treasury, apart from the severance of important sources of revenue from the southern provinces. As funds became lamentably short, the Treasury forced internal loan bonds on officials in payment of their emoluments, who had to accept 20% of their salaries in the shape of internal bonds whenever their monthly income was up to \$100; but officials with monthly salaries aggregating \$500 or under had to accept 50% in bonds. In the course of 1915/16 emoluments of government officials were often overdue for months. The pension of the Manchu House also was allowed to fall into arrears. Initial costs for proceeding with preparations for Yuan Shih-kai's "imperial" status exceeded \$20 million.

In desperation, the Treasury offered to pledge the National Museum for \$5 million, but negotiations fell through. There seemed to be left no other source of revenue than the cash reserves of the banks. The Bank of China remained lukewarm, but the Bank of Communications under Liang Shih-yi was liberal in advancing funds. In order to have better control over the funds of the Bank of China, Yuan Shih-kai, on April 21, 1916, appointed Chow Tzu-chi, a member of his Cabinet, as Director-General of the Bank of China.

Three weeks thereafter (on May 12, 1916), the Moratorium Order of the Cabinet was issued, declaring the suspension of specie payments by both national banks. It is conceivable that during those three weeks the Bank of China was drained of its silver holdings to such an extent that suspension became imperative. On the other hand, it is possible that the said bank was still relatively sound and that it was suspended by Liang Shih-yi's advice to become a companion in misery of the Bank of Communications. Large queues formed in front of the Peking offices of the banks, anxious to exchange notes against silver; an endeavor which soon netted only \$5 per diem and person. The author of this chapter repeatedly did stand in line to exchange some paper against silver, an effort which soon proved futile.

Officially, the notes issued by the Peking branches of the two government banks, enjoyed legal tender qualities, notwithstanding the Moratorium; and to accept them at less than face value was liable to severe punishment. The public was told that the mints were working in double shifts in order to produce silver and copper money. And the banks were directed to "seal up all the silver reserves and deposits lying in their vaults."

The last order was supposed to point to similar regulations proclaimed by all the nations then engaged in the European war; but it deceived no one, the more so as it applied exclusively to the two national banks. Although the Moratorium Order referred to banknotes calling for redemption in silver, both institutes, besides, had copper notes in

[†] Vide "An Analysis of the Accounts of the Principal Chinese Bank, 1921-1931", published by the Bank of China, Shanghai.

** As of June 30.

[‡] Vide "Chapters and Documents on Chinese National Banking," by R. O. Hall, to whom I am obliged for most of the information contained under this sub-heading; though I resided in Peking and witnessed those critical happenings between 1915 and 1917.

circulation which likewise became irredeemable. This fact hit the poorest section of the people doubly hard. Fractional notes in denominations of 10, 20 and 50 cents (silver) had been issued by the two government banks in 1915, the authorized total at the outset being \$2 million.

The immediate effect of the Moratorium was the hoarding of silver by the public, so that Customs dues, salt revenues, taxes and railway fares could be paid in paper only. As the loans secured on such revenues could not be served in foreign currencies, there was danger of foreign intervention. Wholesalers would not sell to retailers against paper, and starvation threatened to become the lot of the beggarized populace. General disorder was feared.

Protests were lodged by the old-fashioned general Chang Hsun who declined to retain responsibility for the behavior of his troops under circumstances just outlined. General Feng Kuo-chang expressed his sentiments in a similar strain. The Minister of Finance, Sun Pao-chi, who had not even been consulted when the "Cabinet Order" was issued, quietly slipped away from the capital. Liang Shih-yi, threatened with impeachment, caused the resignation of the chief censor. The department chiefs of the Peking office of the Bank of China gave up their posts.

Disagreeing with the destructive policies of Yuan Shih-kai, various branches of the Bank of China ignored the Moratorium Order. Amongst these was Tientsin (which, however, later on suspended), Nanking, Hankow and Wuchang. The Shanghai branch adopted a different method by appointing foreign trustees. Other branch offices, situated in "neutral or independent" provinces shielded themselves behind the authority of the military governor. Instead of mitigating the highly critical position, Yuan and Liang caused the Bank of Communications to issue brand new notes, some of which were channeled into circulation even months after Yuan Shih-kai's demise. The Auditor General of the Board of Audit appointed two foreign advisors and two members of the Ministry of Finance as members of a committee of inspection; but they were refused access to the account books of both government banks.

The actual standing of both national banks could thus not be made available to the public. On June 3, 1916, the "Peking Gazette" reported that the note issue of the Bank of Communications aggregated \$159 million, and that of the Bank of China \$50 million. Chinese sources fixed much lower totals, namely, \$80 million for the Bank of Communications, and \$34 million for the Bank of China. On the same day, the "Peking Gazette" reported that it was definitely known that the coffers of the Bank of Communications were empty, a statement which was allowed to pass uncontradicted. The fiat money of that bank was almost invariably lower by from 5 to 15% than the Peking issues of the Bank of China. All the silver had disappeared from the counters of exchange shops in the capital, and even subsidiary coins became so scarce that, when one wished to change a bank-note, exchange shops offered notes calling for redemption in copper cents in return.

Although it was interdicted to discount paper money in Peking, inflation promptly reared its ugly head, for merchants were forced by circumstances to advance their prices; in other words, the cost of living rose sharply. The poor suffered acutely, for a rise of over 20% in the cost of food-stuffs, without commensurate advance in wages, proved fatal to many. The Peking Chamber of Commerce petitioned the Government, supported by the Superintendent of Police, pointing out the great danger caused by food riots:

"You high officials, we merchants and the people of every class in the metropolis (read the Chamber's petition) will sit motionless and wait for the end of our lives. Thus, without attack from our enemies, we shall perish by ourselves; and without any instigation to disturbance we shall run riot amongst ourselves."

Not only noteholders, but depositors were equally affected by the Moratorium. They were forced to pay out checks in depreciated (or at least irredeemable) currency. In honoring such checks banks were forced to issue additional notes during the period of suspension.

Foreign banks ignored the Moratorium Order, accepting from depositors or in the clearing only silver, or else their own fiat money. The attempt to maintain Chinese bank-notes at par by ordering tax officers, railways, etc., to accept them as legal tender, worked for a week or two only. Then the problem of receiving paper and having to meet obligations in silver was found to be insurmountable. The Ministry of Communications was soon compelled to decree a certain percentage of railroad freight and fares payable in silver on a graduated scale. For a time it refused altogether the acceptance of notes issued by the Bank of China. This was probably done to lessen the depreciation of the notes circulated by the Bank of Communications in North China. On June 12, 1916, the Communications Ministry notified the public that its organs would receive only the notes of certain branches of the Bank of Communications on certain of its railways. On May 31, 1916, the Telegraph Administration followed the precedent set by the railways by publishing schedules indicating the proportions to be paid in silver and in paper.

Amongst the first to disregard the Moratorium Order was the chief of the Finance Bureau of Chihli, who ordered his staff to refuse acceptance of notes from the national banks in payment of taxes. Soon the Maritime Customs and the Salt Gabelle followed suit, and it took but little time from the remainder of official circles to ignore the order. Three weeks after the appearance of the Moratorium Order merchants joined ranks with the official body. Peking money changers openly quoted fluctuating rates for paper money, all of which was, of course, at a discount.

Mr. R. O. Hall cites the following market rates for Peking notes emitted by the national banks:

"1916. June	2.	80% for Bank of Communication notes;
	5.	70% for both government banks notes;
	9.	70-80% for both national banks copper notes;
Dec. 22.	86%	for Bank of Communication, and 97% for Bank of China notes.
1917. March 15.	85-90%	for copper notes;
	27.	99% for Bank of China notes."

In order to sustain the credit of the two national banks, partial redemption was repeatedly attempted. First came copper notes, the poor man's medium, for which a special redemption place (East Tan Pai Lu) was opened at Peking. One had to wait in line for several hours in order to become privileged to exchange a limited sum of only 100 coppers in paper money. But even then one received only 30 copper cents and 1,020 cash in new copper notes.

The then Premier of China, Tuan Chi-jui, helped the situation by appropriating a large stock of rice, originally stored for army supply, and by disposing of it at reasonable prices, payable in copper notes. The authorities made another attempt at redemption by opening an exchange office outside the business center, at the Temple of Agriculture. There only 10-dollar notes were accepted, issued by the two national banks, the holder receiving one-half in silver, and the other half in paper. The hours were short and the line was long. At a later occasion the Bank of

China made more resolute attempts to resume redemption unconditionally. On the other hand, the Bank of Communications seemingly preferred to remain in suspension.

The story of the Moratorium was officially narrated to the shareholders at the annual meeting of the Bank of China, when the balance sheet for 1929 was submitted. The managing-director then made reference to bygone days in the following significant words:

"At a time when the country's finance and the credit of the Bank of China were most satisfactory, the political outbreak of the 'Hungshien' monarchical movement, under the late Yuan Shih-kai, took place. That gave way to the military conflicts between the North and South. Our shareholders will probably recall that in May, 1916, a mandate to suspend the payment of notes was issued. The Shanghai office was the first one to act against the mandate, and its notes were redeemed upon presentation as usual. The credit of the bank was thus enhanced, thereby laying the foundation for the present-day wide circulation of its notes. But the offices in the North, which were under political influence, were forced to suspend payment. The Government at that time, therefore, pressed for a loan, and such was the pressure that the bank was forced to act according to their instructions. Up to October, 1916, the Bank of China's circulation of notes amounted to \$60 million. The consolidation of such a large amount of irredeemable notes was borne partly by the Government by floating loans, and partly by the bank itself, by setting aside certain appropriate funds. For ten years the bank had done its best to make the final settlement of this amount. The loss suffered by the country and by the bank was very great. Such facts are worth remembering when the question of Chinese currency is under discussion."

The sordid story of the Moratorium Order, related here merely in its outlines, would be incomplete, unless its liquidation were touched upon. In the course of the following four years, a fair volume of notes forcibly issued by the two government banks, had found their way back to their original sources. But all the time, these particular emissions were quoted at a discount. By September, 1920, the authorities had decided that the banknotes, then still irredeemable against silver, had to be recalled in some manner which would be considered fair to the numerous holders.

It was finally decided that an internal loan issue for altogether \$60 million, bearing interest at the rate of 6% per annum and secured on the Customs' revenues, should be floated. Of this total \$36 million was to be utilized for recalling the notes issued by the two Peking banks between 1915 and 1917, and still in traffic by September, 1920. The balance was to be applied to the refunding of sundry minor loans. The flotation of these loan bonds was completed by January, 1921, after which period no more depreciated dollar notes were permitted to remain in circulation. Holders of notes had the option of exchanging these either against loan bonds at par, or else they were given the option to deposit the notes with one of the two national banks at an interest yield of 6% per annum. Such deposits were to be repaid in silver after the complete redemption of the Ninth Year National Loan. It was stipulated that repayment of the loan bonds was to be effected in 12 semi-annual drawings, ending December, 1926. But a slight delay occurred, for the last loan instalment was rendered in December of 1928.

In this manner all the depreciated Peking notes were finally redeemed at par in silver, though a delay of ten years intervened. As security for the bonds the Minister of Finance designated the surplus from the Customs revenue. During their life the bonds were quoted in the market, in accordance with political vicissitudes, at 44.3%, lowest (in 1922), and at 98.5%, highest, (in 1926).*

This was the inglorious end of a large and unsecured issue of paper money which brought deep misery to a considerable portion of a peaceful population, without commensurate aid to anybody.

Wording of the Moratorium Order

("Peking Gazette", May 13, 1916)

Kuo Wu Yuan Order.

"Since the outbreak of the war in Europe the gold market has been stagnant and commerce has consequently been on the decline. Owing to the internal trouble in our country, the means of livelihood of the people have become more restricted than ever. Our hearts are filled with sorrow when we ponder over prevailing conditions. A custom prevails in foreign countries for the notes of government banks to be rendered temporarily inconvertible at a time of extraordinary financial stringency and the withdrawal of deposit forbidden in order that the situation may be maintained, and specie preserved, and the various trades supplied with funds. Such an excellent device being of far-reaching benefit, should speedily be copied by China.

The Ministries of Finance and Communications shall forthwith instruct the Bank of China and the Bank of Communications that from the date orders are issued all payments in cash must be suspended, whether for exchange of the bank's notes or checks against funds deposited with the banks. This order shall come into force immediately and shall continue until the general situation becomes more settled. The banks shall seal up all the silver reserves and deposits now lying in their vaults and shall be responsible therefor.

As regards the local places in the provinces and special administrative areas where branches of the said banks exist, the Chiang Chuns, Lieutenant Generals, and Governors shall order the local officials concerned to station adequate troops and police at the branch banks to see that this order be not violated by the said branch banks secretly exchanging notes or paying money to depositors. They should also exercise control to prevent disturbances.

Any official, merchant, soldier, or ordinary person refusing to accept the notes of these banks, or to handle the same, or who shall dispose of the same at rates below the face value, will be promptly punished in accordance with Article 9 of the Currency Law.

At the same time, the co-operation of the Chambers of Commerce should be secured with the view that united efforts may be maintained. The two banks are hereby ordered to submit immediately to the Ministry of Finance a detailed statement showing the number and value of the notes of each denomination already in circulation, in order to check any excessive issue of the same. Let all strictly obey the order.

(signed) Tuan Chi-ju,
Secretary of State.

Dated May 12 of the 5th Year of the Republic."

Three weeks after officially proclaiming the Moratorium, the authorities deemed it essential to publish a supplementary decree in connection with the identical subject matter. In translation the new proclamation, dated June 2 issued by the Chinese State Department, reads as follows:

"Some time ago, owing to the unusual financial stringency, the Kuo Wu Yuan issued an order, suspending all payments of specie against notes of the Bank of China and the Bank of Communications. This is evidently a temporary measure and is different from the issue of inconvertible notes. We learn, however, that arising from the suspicion of the merchants and people, several forms of evil have sprung up in this connection and culminate vitally to affect the future finance of the country. The Yuan has now been instructed to devise measures for the maintenance of the market. The notes of the two banks are factors on which the credit of the whole country relies. They are, therefore, as good as actual silver, and absolutely guaranteed by the Government. As soon as the financial market has improved, we guarantee that these notes shall be convertible into silver as per their face value. The merchants and people should therefore not entertain suspicion, but continue to use the same, so that these notes may continue to circulate and the national currency be respected. The various official organs are hereby created to give instructions to this effect, so that all may abide by the same."†

Note Circulation of the Bank of Communications

At a previous stage a tabulation relative to the Bank of Communications note emission as of the close of the years 1912-1940 has already been supplied. Subsequent upon the currency reform of November 3, 1935, a special committee was appointed (as was the case with the Bank of China and the Central Bank of China) to effect monthly inspections of the note issue, as well as to cash and securities reserves. In the space between December, 1935 and June, 1938 those examinations revealed that the highest percentage of metallic reserves held by the Bank of Communications was 70.7%, while the lowest aggregated 60%.

Already during the war, in June, 1942, when the Central Bank of China resumed the sole privilege of issuing banknotes throughout China, the note-issuing rights of the Bank of Communications ceased. After handing over its monetary and security reserves to the Central Bank of

* Vide "The History of China's Internal Loan Issues", by E. Kann, published by "Finance & Commerce", Shanghai, 1934.

China, the latter institution assumed sole liability for the Bank of Communications' note issues.

The China Incident and the Bank of Communications

All the changes which political events brought about between 1932 and 1942, and which have already been commented upon when dealing with the fate of the Bank of China, were applicable to a similar extent to the career of the Bank of Communications.

This, in brief, means that from the foundation of the Central Bank of Manchuo in 1932 onward, the Bank of Communications had to discontinue its note-issue in Manchuria. Identical remarks are applicable to Outer Mongolia (even before the separation of Manchuria from China) and, later on, also to Inner Mongolia. The creation of the Federal Reserve Bank in North China (in 1938 by the Nipponese invaders) entailed the cessation of the Bank of Communications' issue of fiat money in the northern provinces. Though this was not general in the first year (1938), it was brought to a point by 1941.

With the declaration of war on December 8, 1941, against the United States and Great Britain by Japan, the Bank of Communications had to close its doors at Shanghai, in common with the Bank of China, the Farmers Bank of China, and the Central Bank of China. While the two last-mentioned banks were required to remain closed for purposes of liquidation, the Bank of Communications (as well as the Bank of China), on May 27, 1942, was permitted to re-organize and continue to function, though unconnected with its former head office, then in Chungking. Its capital by that time at \$20 million, national currency, was now reduced by the puppets to C.R.B.\$10 million.

However, the status of the bank remained somewhat unclear. Under whose orders the North China branches stood after the forced re-organization of 1942 was not apparent to the general public. Besides, in Free China a network of branch offices continued to function under the

batton of their head-office domiciled in Chungking (Szechuen).

With the successful termination of the Sino-Japanese war, the Bank of Communications returned from Chungking to Shanghai in autumn of 1945 and re-established its head office there, occupying a leading place amongst China's banking institutions.

On March 15, 1949, the Communist armies took over control of the Peking and Tientsin branches of the Bank of Communications which—until further orders—was to act in compliance with commands from the Peoples Bank. For the time being the bank was to handle loans and deposits.

Upon the occupation of the Chinese mainland by the Communist troops, the administration of the Bank of Communications' affairs was taken over by the new rulers. As of April 1, 1950, the Bank of Communications all over China was merged with the Peoples Bank.

On second thought it was considered expedient to maintain the Bank of Communications (and its firm name) under strict control of the Peoples Bank of China and as an unimportant member of the banking community, divested of all privileges.

In March, 1951, the Bank of Communications was re-organized under the tutelage of the Communist Administration. It was scheduled to handle chiefly long-term credits, in particular investment appropriations set aside for capital construction of the state. Furthermore, to control and liquidate ownership rights for public shares of undertakings, both public and private. Also to absorb long-term deposits and handle long-term loans.

For the sake of maintaining reputation, the Nationalist Government in Taiwan created an 'independent' Bank of Communications with headquarters in Taipei. But independence really meant no connection whatsoever with the bank of the identical name on the Chinese mainland. It also inferred that the Bank of Communications in Taipei was intended to mark time and calmly await the dawn of a better world.

(To be Continued)

† "Peking Gazette" of June 2, 1946.

UNITED STATES AID TO FAR EASTERN NATIONS

An American survey team for the Far East to consider US aid to the Far East, consisted of Dr. John A. Hannah, President of Michigan State University; Dr. Howard S. Piquet, Senior Specialist in International Economics of the Legislative Reference Service of the Library of Congress; and Dr. Emory W. Morris, President of the Kellogg Foundation. The countries surveyed were Japan, Korea, Taiwan, and the Philippines. The relative importance of these countries in the foreign aid program is indicated by the fact that they currently receive over \$1.3 billion or more than one-quarter of the monetary foreign aid being granted by the United States. In addition, some time was spent in Okinawa, Hongkong, Pakistan, and Cambodia and a more extended period in South Vietnam.

The team, which eventually compiled a report, undertook its mission with certain general assumptions in mind. The first general assumption was that the United States has only one real enemy in the world-international Communism

—and that aid is extended to foreign countries in support of a national policy, first to halt the spread of Communism, and second to bolster the internal strength of countries which stand as bulwarks against this menace to democratic ideals and world peace. It is probable that international Communism has three objectives in its drive for world domination. The first, a preponderance of manpower, has been achieved through the conquest of mainland China. The second—access to relatively unlimited raw materials—could be achieved through the conquest of Southeast Asia. The third—control of an overwhelming industrial production potential—could be achieved within a relatively short time only by the conquest of Japan and its highly developed industrial complex and vast reservoir of skilled manpower.

These objectives have been sought through both military and less extreme measures. But it is plain that a realistic appraisal of American foreign aid in the Far East must be made against this background. To stress the neces-

sity of viewing foreign aid in a military context does not mean, however, that economic, political, and psychological considerations are not of prime importance.

The second general assumption was that the United States is committed to a long-range program of assistance in the Far East, and that the basic question was not whether aid should be continued, but whether it accomplishing what was intended, and how its administration might be improved. Such an assumption is inescapable, in view of the vital strategic importance—both militarily and politically—of Japan, Korea, Taiwan, and the Philippines.

What happens in this area of the world will affect profoundly the future of the United States. The Philippines is a nation of American creation, and hence is America's "showcase" in the Pacific. Both Korea and Taiwan are on the firing line in what is, to speak realistically, a state of suspended war. It is essential to remember that what is done in and by these countries is largely the responsibility of the United States. Japan is unique among the countries of the Orient. She is far advanced, industrially, so much so that she has properly been called "the Britain of Asia." Because of this fact, and because of her strategic location, it is essential that Japan remain in the family of free nations.

The third general assumption is that the US objective is to help other nations to help themselves and to give the peoples of the Far East, through their governments, that hope, that prospect of improving their lot in life, which is in the final analysis one of the strongest defenses against Communist enticement. It would not be enough to defend them with US troops and planes and ships, to feed them, to support them with money. In fact, that course could defeat the over-all objective. They are proud people with a great capacity for work, with ability to do things for themselves if they are given a decent chance.

General Findings and Recommendations

The findings and recommendations below apply generally, except where specifically noted, to the four countries: Japan, Korea, Taiwan, and the Philippines. Observations applying to certain countries only, and recommendations arising from them, will be found farther on in the report.

1. The implementation and administration of the foreign aid program of the United States in the Far East merit approval, in general, and special commendation in many instances. It would be naive to expect, or to report, that the program has been uniformly successful, that no mistakes have been made, and that we should simply go on doing more of the same things. But, only an unfriendly critic can doubt that when viewed altogether the foreign aid projects are giving the American people a reasonable return on the money being invested in them.

It is recommended that the programs of military assistance, defense support, economic aid and technical cooperation be continued, subject to constant review and periodic intensive scrutiny. In its concept and general outline, it represents a powerful force working for the benefit of both the American people and the people of the Far East. However, the program in its various aspects must be kept flexible and readily adaptable to changing conditions.

2. It was observed that traditional American impatience and perhaps a greater sense of urgency on our part have sometimes operated to hold cooperation by the foreign governments to a level below that which is desirable. It should be obvious that a high degree of local participation in the analysis of problems, in the making of

plans, and in the execution of programs is an essential to good feeling among allies and friends. Cooperation, not coercion, is the tack which must be taken if enduring relationships are to be established. Consultation with local leaders and honest consideration of their recommendations and aspirations should be encouraged to a far greater degree as the program continues.

3. One of the greatest handicaps to the program and the personnel concerned is the tremendous lag in time between appropriations by the Congress for foreign aid and the allocation of funds to the areas concerned. Red tape, paper work, whatever the cause, the result is that neither the American personnel involved nor the officials of the foreign governments concerned can plan wisely, budget frugally, or perform efficiently.

A related weakness in the current system is the provision in the law that not more than 20 per cent of an annual appropriation can be spent within the last two months of the fiscal year. When allocations are not made until six months or more of the fiscal year have elapsed, the result is that there is a great flurry of spending in the four months or less remaining before the deadline. Obviously, this creates many opportunities for waste based on decisions made too hastily, not because of inattention or inefficiency on the part of those in the field, but because of unreasonable and unrealistic restrictions upon their freedom to act in an orderly manner.

It is urgently recommended that Congress seek means of expediting the allocation of appropriated funds to the field in the interest of more efficient operation in view of the legal requirement which, coupled with these unjustifiable delays, has the effect of forcing personnel in the field to commit 80 per cent of their allocated funds within one-third of the fiscal year.

4. Related to the situation described above is that created by the reluctance of administrators in Washington to grant a reasonable degree of autonomy to administrators overseas. It is ridiculous to require that capable and experienced personnel in the field submit the details of each specific project to Washington for approval. Few, if any, persons thousands of miles away can exercise judgment superior to those of competent personnel immediately on the scene. The time-waste factor alone argues for granting greater autonomy, within specified limits, to those responsible for operations in the field.

It is recommended that Congress insist on eliminating to the greatest extent consistent with the national interest that portion of the process of studying and judging specific projects now being performed by departments in Washington, and on the granting of a greater degree of autonomy for those on the operational level.

5. To accomplish the desirable objective set forth (in 4) above, it would be necessary to effect some changes in current personnel policies, both military and civilian, so as to engender confidence in the ability of operations personnel to make independent decisions. It should be the basic policy to assign persons to specific missions abroad, not on the basis of seniority, rotation, or personal preference, but on the basis of competence to perform the task at hand. Competence, in this sense, should include not only professional ability and experience, but a thorough knowledge of the foreign country's history, culture, political system and economic structure, and where possible, familiarity with the native language as well.

It was observed that in some places, personnel were not fully qualified by this definition, and that in others, there appeared to be too many persons on the staff. A desirable

objective would be fewer persons of greater competence, and the agencies involved in the foreign aid program should be strongly encouraged to review and revise their personnel policies to that end.

A particularly weak spot in current personnel practices is the system of rotation which takes a man out of Korea, for example, after 18 months of service there. This is tenure of insufficient length to permit the individual to perform with maximum effectiveness. He is of less than full usefulness for the first few months because of his unfamiliarity with local conditions, and is of diminishing usefulness during the last few months as he looks forward to a transfer to some other station.

This is not good administration. It works against continuity of thought and action. It encourages one type of individual to hesitate to take initiative because he probably will not be on the scene to receive credit for any success. For individuals of another type, it serves as a sort of curious security against being on hand to be blamed if things go wrong.

There is every inclination to be sympathetic with those who are assigned to serve at so-called hardship posts. But we are engaged in an undeclared war for national survival, and the national interest must be put ahead of individual comfort and convenience. Some of our dedicated people are ready and willing to spend longer periods in such posts but are prevented from doing so by fixed and arbitrary over-all policies.

6. It was observed that some undesirable friction and lost motion result from the intermingling of funds for military assistance and military aid with those intended to support economic aid and technical assistance. While there is a high degree of cooperation between military and civilian personnel, it is only natural for each group to seek the ultimate in support for the programs for which it is responsible, and to begrudge funds going to the other's program at what it fears may be at the expense of its own work. It is strongly recommended that necessary legislative and administrative measures be taken to keep funds allocated for military and for civilian programs definitely separated.

7. The employment by U.S. agencies of private firms to consult on specific industrial and economic problems was noted with approval on Taiwan. The results obtained deserve commendation and suggest that consideration be given to a more general employment of this method of procuring technical advice and guidance.

8. Incisive studies of the development of economic institutions and potentials of Korea, Taiwan, and the Philippines need to be made. Although many factual reports are available, most of them lack cultural and historical depth. In numerous instances the success of programs is being judged in terms of the attainment of project deadlines, with little regard for inconsistencies between our own activities and the recipient country's history and aspirations.

In some cases, even important factual data are not available. For example, much remains to be learned regarding the potential mineral resources of Korea. The geological survey which has been initiated needs to be pushed vigorously.

It is recommended that the development of other comprehensive economic analyses, preferably by non-governmental personnel, be undertaken without further delay.

9. Careful observation and searching questions put to American military commanders produced ample evidence that the United States is well advised in its policy of assisting in building up strong military forces in the Philippines, Tai-

wan, and Korea. Our commanders were unanimous in the opinion that, given proper training and suitable equipment, nationals of these countries make excellent soldiers, sailors, and airmen.

This policy is consonant with our over-all policy of strengthening the defensive power of these allies, and should be continued to the point of making them as self-reliant, militarily, as possible.

There is one advantage that is not readily apparent. In countries of relatively low educational opportunity, the training received by these men during their military services makes them not only better citizens but more useful and productive members of the labor forces when they return to civilian life. It is far less expensive to train and equip these nations to defend themselves than it would be to train and equip an equivalent number of Americans to provide for their defense. However, it should be emphasized that we should not permit any fallacious theories of economy to lead us to skimp on the quality of the training provided for foreign nationals or on the quality or quantity of equipment made available to them.

10. Operations under Public Law 480, under which surplus agricultural products are sold to these countries, are open to criticism. Some of our actions are subject to the interpretation abroad that we are more interested in getting rid of the surpluses than we are in improving the health or the economy of the people. In at least one case, we may be creating a taste for a product commonly used in the United States but seldom in Asia, one which the country concerned would have great difficulty in providing for its people if the current supply were to dry up. The effects of Public Law 480 on our over-all program and our relationships with foreign peoples should be re-examined by Congress.

11. It is strongly recommended that increasing emphasis be placed on efforts to induce these four countries to revise their attitudes towards education and the breadth of educational opportunity for their people. Traditionally, education in the Orient has been for a small elite; knowledge has been worshipped for its own sake, not for what it can do, when widespread, to benefit the people as a whole. America offers the world's foremost example of how the right kind of education for the great majority of a nation's people can produce almost magical effects in the form of a more stable political and social system and tremendous economic benefits best expressed in terms of a rising standard of living.

This is a point on which the Far East is not as yet fully convinced, even though some progress is being made. We should do what we can to persuade our friends in that part of the world that one of their best hopes for the future lies in making education more readily available to all of their people, and that they would be well advised to apply the lever of widespread knowledge to lift the tremendous social and economic burdens they currently bear.

12. There is considerable sentiment among American official personnel in the Far East for a plan under which those selected for technical training would be sent to a third country, not to the United States, for their specialized educations. This plan has the advantage of reducing travel time and expense, and the merit of having Asians teach Asians, and Asians learn from Asians. But it has a serious weakness in that not all of the countries to which these people would be sent at American expense have the philosophy that education should be used to serve the needs of people, rather than the esoteric interests of the intellectual elite. Too, this procedure would deny the opportunity to acquire

PEKING'S DIRECTIVE ON CONTRADICTIONS

The abracadabra with which the Communist leaders in Peking hope to cure the officials of their bureaucratism and solve the innumerable contradictions or conflicts in the ranks of the people appeared in the special directive issued by the Central Committee of the CCP on April 27. It says that the major contradiction is no longer one between the antagonistic classes but between the people's demand for the building of an advanced industrial country and the realities of a backward agricultural country; between the people's need for rapid economic and cultural development and the inability of present economy and culture to meet that need. The directive quotes the popular slogan, proposed during the war of resistance to the Japanese by Chairman Mao Tse-tung, of "gentle methods toward ourselves; harsh methods toward the enemy" as a guide to conduct.

The directive referred to the first rectification campaign in 1942 and said the present campaign is to be guided ideologically by the Reports delivered by Chairman Mao on behalf of the Central Committee of the CCP to the

sufficient competence in the use of English to enable the trainees to keep abreast of technical advance through reading the literature in English of their fields of interest, and through correspondence with Americans sharing the same interests.

In this same connection, no enthusiasm was engendered by the proposal that American foreign aid dollars might better be spent to employ technicians of other nations as advisers because they can be hired more cheaply than Americans. It would seem that if American prestige and security are at stake, then Americans should exert the dominant influence in all programs of technical assistance being paid for with American dollars.

13. A special word of commendation is due American colleges and universities for their cooperation in the technical assistance programs. They are reservoirs of professional and technical knowledge of the kinds most urgently required, and it is to their great credit that they have recognized and accepted their responsibilities to make this knowledge available in the national interest.

It is strongly recommended that participation of our colleges and universities in these programs be continued, and that Washington administrative rulings and procedures which are hindering their work and thereby dampening their enthusiasm and usefulness be simplified and modified speedily.

14. It was observed with disappointment that we are not highly successful in explaining to foreign nationals our reasons for undertaking our foreign aid programs, and what we hope will derive as benefits for the Far East as well as for the United States and the advantages to be gained by full cooperation.

The opposite side of the coin is that the people of America have a relatively poor understanding of the people with whom we are allied, of what they have already done to help stem the flow of Communism, and of what their capabilities are in the world struggle for peace and freedom. The prevailing public opinion in America on some points seems to be at variance with the facts as they were found on this survey.

(To Be Continued)

Enlarged Supreme State Conference at the end of February, and to the National Conference on Propaganda convened by the Central Committee in March this year. These two reports have not yet been published in the usual way but they have been relayed to the broad sections of the cadres and intellectuals and will be relayed to all Party members and the people. Already they have been extensively discussed both within and outside the Party, and Party committees at all levels are required to organize studies of these two reports and to summarise and improve the work in their own areas, departments and organisations in accordance with the basic ideas in the reports and by reference to a number of other relevant documents.

In the course of this study the leading organs and cadres at all levels have to review how contradictions within the ranks of the people are being dealt with and how the Party policies are being executed. These policies are summed up as: Let diverse schools of thought contend; long-term co-existence and mutual supervision; building the country on industry and thrift. They have to investigate the bureaucracy which has led to isolation from the masses of the workers, peasants, soldiers, students and intellectuals; the sectarianism which does not proceed from the unity with the 600 million, with the democratic parties and the broad non-party masses and with the whole Party; and the subjectivism which does not proceed from the actual situation. And finally they should faithfully carry out the Central Committee directive concerning the correct handling of the contradictions within the ranks of the people.

The rank and file members of the Party, says the directive, should mainly understand serving the people; consulting the masses whenever problems arise; being the first to bear hardship and the last to enjoy comfort; and carrying out criticism and self-criticism. Dialectical materialism is to be studied further by leading cadres at a later date. The campaign should be "a movement of ideological education carried out seriously, yet as gently as a breeze or a mild rain." It should be a campaign of criticism and self-criticism carried to the proper extent. Meetings should be limited to small-sized discussion meetings or group meetings. Comradely heart-to-heart talks in the form of conversations, mainly exchange of views between individuals, should be used more and large meetings of criticism or "struggle" should not be held. Critics should be encouraged to be true to facts and make concrete analyses in order to avoid complete negation of everything done by the person criticised. Everyone should listen with an open mind to the opinion of others and enthusiastically take part in expressing his opinions of others. But criticism should not be imposed upon a person who does not accept it. Whenever possible, the necessary conclusions should be drawn about some of the arguments involving matters of principle, but the right to reserve differences must be permitted. Those found to have committed mistakes, big or small, except for serious cases of offences against the law or discipline, are all to be exempted from organisational disciplinary measures. Non-Party people who wish to participate in the rectification campaign should be welcomed. But this should be done on an entirely voluntary basis, and no coercion is allowed. Leading personnel of the Party should be encouraged to devote part of their time to engaging in physical labour with the workers and peasants. This measure should be gradually made into a permanent system.

For a long time in the Party's history, leading cadres of the Party have shared weal and woe with the masses of

workers, peasants and soldiers. This excellent working style of close association with the masses is one of the fundamental factors that has guaranteed the victory of the Chinese revolution. But during recent years not a few comrades have degenerated in this respect. The present task of the Party is, on the one hand, to raise the ideological understanding within the Party and to correct the shortcomings and mistakes in work. On the other hand, it is to preserve in full and also carry forward, in actual life, the Party's excellent tradition of working hard and perseveringly to overcome difficulties and then to proceed to establish a basic system under which the mental work of leading personnel in the Party and Government organs is integrated with physical labour, so that they may become closely knitted with the masses.

In this way, the relations within the ranks of the people may have a new appearance and the bureaucracy, sectarianism, subjectivism and the "airs of a lord" may be eliminated to a large extent. The measure of integrating the mental and physical labour of the leading personnel in the Party and Government organs should first be enforced within the Party, starting with a small number of this personnel. Such physical labour, however little, will be useful. After experience has been obtained it will, through appropriate steps, be extended systematically and gradually to the leading personnel of the Party, the Government, and the Military Services and also to the principal administrative officials of the economic and cultural organisations, if they can do more or less physical labour. Concrete measures will be worked out with regard to this question. A special Directive thereon will be issued separately by the Central Committee of the Party.

This campaign is to begin with Party organisations at county and regimental levels and higher, and with those in large factories and mines and in universities and institutes. It should start with the investigation of the thinking and the style of work of cadres in leading positions. Various provincial, municipal and autonomous regional Party committees may meanwhile choose some primary committees to start the rectification campaign, with a view to obtaining typical experiences for the purpose of gradual popularisation.

During the campaign, all units should organise leading groups. First secretaries of Party committees ought to assume personal responsibility and give firm leadership. The plan of rectification should keep to the principle of hindering neither the campaign nor the current work and should co-ordinate the campaign with the improvement of work and with the actual solution of contradictions within the ranks of the people. The plan should avoid closing the door to carry out the campaign at the expense of work. The method of giving organisational leadership to the rectification campaign and the concrete working plan are to be determined for their own execution by the Party committees directly under the Central Committee, the Party committees of the central State organisations, the General Political Department, and the Party Committees of provinces (municipalities) and autonomous regions. The Central Committee expects to receive the concrete plans within two weeks after receipt of this directive.

Some of the more perfervid supporters of Chairman Mao Tse-tung's liberalisation policy in China are quoted as referring to it as "another ideological liberation of the people." It was a little unwise to have used that somewhat discredited word instead of liberalisation, which has so different a connotation in the context of current events. Be that as it may, the policy is being prosecuted with the zeal normally shown when orders come down from on high. There is still a kind of passive rebellion against it among

the lower echelons of the Party members and this in turn confirms many of the non-Party intellectuals in their even more pronounced passivity. Several campaigns of terror and the horrid examples of what happened to others who thrust their necks out too far have dissuaded the timid and yet stiff-necked Chinese non-Party scholars from exposing themselves to danger. But discussions are going on, nevertheless. "Tens of thousands of people in Shanghai, both inside and outside the Communist Party, after hearing the transmittal of Chairman Mao's address before the Supreme State Conference, have spiritedly and earnestly carried out many discussions on it," asserted a report in the People's Daily.

But the very same report ends on rather a more restrained note: "The discussions also reflected the fact that among a portion of the people, ideological confusion, anxieties and doubts still existed. Somebody stated that he had written a book running into several hundred thousand words, but he dared not publish it, and wanted to wait and watch the situation a while. Some also indicated that they dared not publish articles over their real names, lest they be made the object of 'rectification' struggles. Still others doubted if the policy of letting all flowers bloom and all schools of thought contend was a long-term policy. All these have to be gradually clarified." No doubt the professor of the many hundred thousand words remembered the famous scholar Liang Shu-ming and his experience under the new regime—or perhaps he was that scholar himself!

The minutes or reports of such gatherings can always be identified, they usually follow a set form, decreed no doubt by somebody on the higher levels. "Many say that after studying Chairman Mao's address, they have become more enlightened and ideologically liberated. In the group discussions of various *chu* committees of the CCP, many Party members criticised their past ideology of thinking that 'once the Empire has been conquered, there will be peace for all.' The report says that the discussions of the various democratic parties and groups and industrial and commercial circles in Shanghai have mostly been centred on such questions as long-term coexistence and mutual supervision, the united front, and the policy of buying out the capitalists. In these discussions, 'more people than ever are bold enough to reveal their thoughts and make sharp criticisms of the work of the Party.'

Intellectuals in Shanghai, it is stated, have been very active in the current discussions. They dealt with the policy of letting all schools contend, the ideological reform of the intellectuals, service for workers, peasants and soldiers, the leadership of the Party over science, and the arrangements for graduates of primary and middle schools.

As the People's Daily said on April 17, some comrades have a different view to the Party leaders on the beneficial effect of criticism in solving contradictions within the ranks of the people. They fear that criticism will sharpen and complicate internal contradictions and place the party and government or the leadership in a passive position. Bureaucracy is often one of the main factors causing internal contradictions (antagonism). Where bureaucracy exists, people are bound to be dissatisfied. "The masses are very indignant over people with bureaucratic tendencies; they bring up heaps of views and many questions all at once to the leading body, and for the time being it is natural that the leadership work faces difficulties and becomes passive. But as a matter of fact, the contradictions have not become more acute: they have merely been brought to the fore."

This was precisely the condition necessary to solve contradictions, the report continues. This is a good thing and

not a bad thing. The leading personnel, after being made to assume the passive position, will be able to take the greater initiative. The prestige of certain Party organisations and State organs may suffer from criticism levelled against very serious defects and mistakes, but there is no need to fear this.

And here it was that one of the major fears behind the liberalisation policy was confessed. "If no support is given to the masses in carrying out criticism of bureaucratism and the masses are prevented by long suppression from presenting their correct views and just demands, once such a bureaucratic tendency becomes intolerable to them, they may take extreme actions to oppose bureaucratism and may even demand the solution of certain questions which cannot for the moment be solved. By this time the contradictions will really become acute and complicated, and the leadership personnel will be placed in a more passive and difficult situation."

COMMUNIST PRETENCE OF REFORM

A typical example of a Communist hoax is the current rectification campaign in China said to be designed to iron out 'contradictions within the ranks of the people' when in reality the contradiction (that is, conflict) continues between the people and Communists. Since 1950, Communists succeeded to stamp out 'counter revolutionary' activities in China; managed to push through the first 5-year plan with Russian help; exploited the Korean War to earn world-wide recognition in a negative way; but failed to provide enough food and other necessities for the Chinese. As the ruling class and after 6 years of ruthless dictatorship, imposed in the name of the people, Communists in China with all their privileges and arrogance are disliked but feared by the people who, 6 years ago, hailed them.

The strongest 'contradiction' comes from farmers; last year they did not meet state quota on hog breeding and other productions. Furthermore, large groups of farmers flocked to urban areas because there was not enough food in the countryside. Workers earned more but could not buy what they needed. Capitalists obtained a 5% dividend but they felt like caged birds and were under constant pressure from Communists. Students found that not all of them could enter institutions of higher learning and graduates were seldom given the work they preferred to do. No one however dared to speak his mind because the secret police kept a close watch over every one in the name of "people's security"; but the feeling was there and all the bitterness was directed against the odious Communists—the new masters.

Sensing the hatred, the Communist Party took measures to remedy the situation. Adroitly, Peking launched the current rectification campaign explaining that ever since the Communist Party came into power, some members of the Party had become conceited over their achievements and sought fame and position. Subjectivism, sectarianism and bureaucracy had developed. Therefore, to start forth with a rectification campaign was absolutely necessary for the old and new Party members. The Peking spokesman said that developing the Communist Party's tradition of sharing good and bad with the people was 'vital to the cause of socialism in China'; in the past few years however some Party members had become arrogant and infected with

Meanwhile Party and State cadres and intellectuals throughout the country have been ordered to study the proposed solutions for the conflicts or antagonisms among the people, which have dampened down the flame of revolutionary ardour which sustained the great changes in the first five years of the new regime. It is not always easy to determine how fully others than the Party people are responding to this campaign. Whenever a certain "struggle campaign" is ordered by the Central Committee the reports thereon which are remitted to Peking and duly appear in the official Press have a stereotyped appearance as if all of them were closely following some text model laid down by the Centre at the same time. But Peking is beginning to realise that it is a matter that must take time, especially as regards intellectuals who have been outlawed and humiliated for the first seven years of the new regime, though there are various indications of the immense and highly favourable effect made upon the intellectuals by Chairman Mao Tse-tung in his address to the Supreme State Conference.

bad traits from the 'old society'. This had led to their isolation from the masses and damaged the intimate relation between the Party and the masses.

A directive issued by the Central Committee of the Communist Party on April 27 concerning the rectification campaign pointed out (in the characteristic gibberish) that the aim of the campaign is "to unite with people and turn passive forces into positive forces" in order to fulfil the target of building a socialist state. The directive further decreed: "cadres at all levels" should review how the Party policies ('let many flowers blossom, let diverse schools of thought contend'; 'long-term co-existence and mutual supervision'; and 'building the country on industry and thrift') are being executed; and to investigate (1) the bureaucracy which has become isolated from the masses of the workers, peasants, soldiers, students and intellectuals; (2) the sectarianism which does not proceed from unity with "600 million" people, unity with democratic parties and the broad non-party masses and unity with the whole Party; and (3) the subjectivism which does not proceed from the actual situation.

In other words, all the bitterness of the people is comprised in three high-sounding words: bureaucracy, sectarianism, and subjectivism. Furthermore, in spite of the fact that the directive had defined that the campaign is only for party members, Peking's red and pink Press advocated that non-Communists should also join Party members in the rectification campaign on a 'voluntary' basis. One editorial said, "... there are people who are keen to supervise the Communist Party and other people while failing to set strict standards for themselves." These editorials are putting the blame also on non-Communist government leaders!

However, it seems that nobody will be purged this time as was the case in 1942. The directive, in the first place, does not set any specific premises for the campaign besides the generalization "to unite with the people." There are also contradictory points; it stated that one should not justify everything concerning himself and reject criticism by others but in the same paragraph it added, "criticism should not be imposed upon a person who does not accept

it." Anyway, even if a party member accepts the criticism, he will not be punished because the directive assured, "... those found to have committed mistakes, big or small, except for serious cases of offences against the law or discipline, are all to be exempted from disciplinary measures." According to the directive, this campaign should be a movement of ideological education carried out seriously, yet as 'gently as a breeze or a mild rain'; it should be a campaign of criticism and self-criticism carried to the proper extent. Meetings should be limited to small-sized discussion meetings or group meetings. Comradely heart-to-heart talks should be used and large meetings of criticism or 'struggle' should not be held.

This campaign is therefore actually directed mainly to let off the steam from the chests of the suffering people—nothing more. As a gesture, the Party commanded that leading personnel holding key positions at all levels in the

Party, in the government and in the military service and who are fit for physical labour should devote part of their time in physical labour with the workers and peasants. To set an example, the Mayor of Peking, Peng Chen, on May 9, transported stones together with road-builders at a construction site. On the same day, over 400 other government leaders and workers in the capital worked in factories, farms and shops. The campaign is now fanning out from Peking, Shanghai and other leading cities. The propaganda machine of Peking also turned into full blast telling the people 'Communists are still your friends and are returning to your side!'

But will such a token display of benevolence from a ruthless master help to win back the whole-hearted support from the enslaved people whom the master claims to represent but in reality is pushing towards more sacrifice and giving them less food and no freedom of choice?

ECONOMIC REPORTS FROM JAPAN

Exports and Imports in Fiscal 1956

The Ministry of Finance released the customs clearance statistics on the nation's foreign trade during 1956 fiscal year (April 1956 through March 1957), according to which exports amounted to \$2,597,972,000 and imports to \$3,602,692,000, both recording postwar highs. Increases of \$460,511,000, or 21.5 percent for exports and \$1,016,200,000 or 39.3 percent for imports were made over the comparable figures for the previous fiscal year, and consequently the import excess was sizably enlarged by \$555,689,000 to \$1,004,720,000. Throughout the period exports maintained a fairly high level of around \$200 million a month, while imports continued to grow to hit the \$300 million mark in October last year, and reached a postwar high of \$393,022,000 in March this year.

Broken down by commodities, vessels saw a three-fold increase in their exports to head the list of major export items. Other commodities that made a signal advance include machinery (excluding ships), cement, and chemical fertilizers. Exports of textile goods showed a 10.9 percent rise as a whole. Silk fabrics, rayon filament fabrics, and spun rayon fabrics upped by 65 percent, 24 percent, and 48 percent, respectively, whereas raw silk and cotton yarn dropped by 20 percent and 12 percent, with cotton fabrics keeping about the same level as in the previous fiscal year. Because of the activeness of home demand, exports of iron/steel products fell by 18.1 percent on an average. Among the chief export goods, vessels ranked first with \$310,867,000 occupying 12 percent of the total exports, being followed by cotton fabrics with \$263,633,000 (10.1 cent of the total exports), iron/steel products with \$212,789,000 (8.2 percent), spun rayon fabrics with \$131,250,000 (5.1 percent), clothes with \$125,661,000 (4.8 percent), fish and fish products with \$119,669,000 (4.6 percent), rayon filament fabrics with \$85,711,000 (3.3 percent), metal products with \$66,439,000 (2.6 percent), toys with \$55,933,000 (2.2 percent), and chemical fertilizers with \$53,342,000 (2.1 percent).

In the field of imports, food and beverages fell by 15 percent, but other commodities showed an overall rise. Worthy of special note was the substantial increase observed in imports of industrial raw materials. Ranking first on the list of the principal import commodities, raw cotton, with

\$514,656,000, accounted for 14.3 percent of the total imports, being followed by petroleum with \$356,731,000 (9.9 percent of total imports), raw wool with \$251,000,000 (7.0 percent), iron/steel scrap with \$248,656,000 (6.9 percent), wheat with \$161,617,000 (4.5 percent), iron ore with \$160,706,000 (4.5 percent), sugar with \$123,547,000 (3.4 percent), coal with \$103,425,000 (2.8 percent), non-ferrous metal minerals with \$95,625,000 (2.7 percent), and lumber with \$84,656,000 (2.3 percent).

Exports and imports in the 1956 fiscal year as compiled by the Ministry of Finance:

(Value: in \$1,000)					
EXPORTS	Unit	Fiscal 1956		Fiscal 1955	
		Quantity	Value	Quantity	Value
Food & beverages			173,347		149,897
Fish & Fish products	tons	195,165	119,669	170,635	89,389
Tea	1,000 lbs	21,815	5,406	33,818	9,492
Textile & products			889,119		801,339
Raw silk	bales	72,306	40,817	87,117	49,639
Cotton yarn	1,000 lbs	26,585	24,969	30,556	28,186
Rayon filament yarn	"	19,869	9,644	19,094	9,414
Spun rayon yarn	"	35,398	17,022	40,247	17,025
Cotton fabrics	1,000 sq yds	1,232,555	283,633	1,250,009	255,506
Silk fabrics	"	52,637	27,438	32,165	16,608
Rayon filament fabrics	"	422,774	85,711	377,315	68,875
Spun rayon fabrics	"	748,846	131,250	547,154	88,681
Clothes			125,661		115,475
Pharm. & chem. products			111,003		98,967
Chemical fertilizer	tons	971,948	53,342	795,285	45,086
Non-metal mineral products			119,167		91,211
Cement	tons	2,358,256	42,089	1,418,420	25,886
Ceramics			49,017		43,425
Metal & products			330,261		361,980
Iron & steel	tons	1,152,826	212,789	1,845,470	259,944
Non-ferrous metals	"	39,499	51,031	61,153	67,811
Metal products			66,439		64,219
Machines			547,858		285,000
Tex. machines & parts			37,250		28,289
Sewing machines		1,492,484	35,375	1,567,268	35,353
Vessels		751	310,867	498	106,264
Others			427,217		329,267
Lumber	M3	527,168	27,022	493,558	31,033
Toys	tons	60,645	55,933	50,904	45,797
Plywood	1,000 sq ft	762,696	46,767	604,238	35,897
Total:			2,597,972		2,137,461

IMPORTS	Unit	Fiscal 1956		Fiscal 1955	
		Quantity	Value	Quantity	Value
Food & beverages			532,168		632,930
Rice	tons	554,578	79,703	1,299,539	201,764
Barley	"	941,094	64,569	884,597	46,381
Wheat	"	2,194,374	161,617	2,224,489	161,803
Sugar	"	1,185,873	123,547	1,139,181	124,744
Textile materials			879,406		806,438
Rayon pulp	tons	133,792	28,230	78,088	16,331
Wool	1,000 lbs	308,455	251,000	222,920	170,336
Raw cotton	"	1,640,116	514,656	1,116,325	377,183
Hard & bast fibers	"	245,021	28,608	188,546	22,281
Metal ores			574,444		229,464
Iron ore	tons	8,258,421	160,708	6,164,699	98,219
Iron/steel scrap	"	3,208,315	248,656	1,511,912	81,592
Non-ferrous metal ore	"	1,971,263	95,625	1,137,866	38,714
Non-metal minerals			101,700		76,567
Phosphate ore	tons	1,684,980	42,483	1,613,854	34,969
Salt	"	2,274,512	30,594	2,129,406	24,475
Mineral fuels			470,539		317,928
Coal	tons	4,121,617	103,425	3,173,722	65,958
Petroleum	kl	16,249,808	356,731	12,857,709	246,408
Other raw materials			373,694		335,267
Raw hides	tons	76,433	30,697	63,726	23,544
Soya beans	"	687,421	81,586	769,244	88,436
Crude rubber	"	118,610	79,158	88,114	69,797
Lumber	M3	2,646,385	84,656	2,200,742	66,789
Pharm. & chem. products			177,778		120,119
Potassic fertilizer	tons	891,806	46,908	623,895	29,028
Machines			174,550		136,364
Others			317,595		129,414
Beef tallow	tons	111,444	23,314	111,950	24,308
Total:			3,602,692		2,596,492

Sewing Machine Exports

Sewing machine manufacturing industry has set the export target during the current fiscal year at \$46,000,000 in value. Exports should include \$38,000,000 of household machines, \$1,800,000 of industrial machines, and \$6,200,000 of parts and components. Shipments will be broken down into \$28,400,000 to dollar area, \$10,200,000 to sterling area, \$6,100,000 to the open a/c area, and \$1,800,000 to other parts of the world.

Actual shipments during 1956 fiscal year amounted to \$39,534,000, including \$32,701,000 of household machines, \$1,529,000 of industrial machines, and \$5,304,000 of parts and components.

The target figure of \$38 million for this year shows little change from that for last year, but the \$1,800,000 for industrial machines is 33.3 percent more than the target of the same item set at \$1,350,000 for 1956 fiscal year, because a rising trend has been observed in demand as is clearly shown in actual shipments. The \$6,200,000 of parts and components is also 14.8 percent larger than the preceding one at \$5,400,000. To attain the target the industrialists and traders are determined in raising the quality of their products, developing new markets in foreign lands, keeping the price steady, and preventing unnecessary competition between themselves.

Sheet Glass Industry

Output of sheet glass during 1956 fiscal year was 8,128,000 cases against the 6,780,000 cases of the preceding fiscal year, showing a 19.9 percent advance. Its delivery amounted to 8,049,000 cases against the 6,805,000 cases of the like figure a year ago, scoring 18.3 percent improvement. With 1,140,000 cases, the exports hit an 18.1 percent increase over the corresponding year.

Even though several factories temporarily discontinued operation for repairing, a newly opened plant had more than written off the loss thus brought about. Noteworthy was the big increase in the output of plate glass such as 3-millimeter and 5-millimeter plate glass and wired-glass. Increasing trend of demand for higher-grade glass was in-

dictated by the fact that polished glass was turned out 50 percent more than, and safety glass twice as much as the preceding year. Growth of demand came from building industry, which had been greatly enlivened by business prosperity in general. Deliveries include 560,000 cases taken by the manufacturers themselves for making of polished glass, which was 19 percent more than last year. Polished glass nowadays is more used for mirrors, window panes of automobiles and other vehicles, and office buildings.

Big increase was witnessed in the exports to Korea, where 333,000 cases were shipped against the mere 13,000 cases last year. To the United States went some 215,000 cases showing practically no change from last year. Exports to other countries were: 175,000 cases to the Philippines (65.5% up), 68,000 cases to Indonesia (3.5% up), and 82,000 cases to three Indochinese countries (37.4% up).

Petroleum Products

The production of petroleum products in 1956 fiscal year amounted to 12,464,073 kilo liters and established a new postwar high. Breakdown of output is as follows:

Categories	kilo liters	Comparison with 1955 F.Y.
gasoline	3,240,156	22% up
jet engine fuel	136,966	66% up
kerosene	863,102	54% up
light oil	901,218	12% up
heavy oil	6,254,788	39% up
lubrication oil	471,209	23% up
others	567,634	30% up
Total	12,464,073	32% up

Such remarkable achievement was attributable to satisfactory import of crude oil which enabled the refineries to raise their operation as the demand for their products increased during the period.

Recent Trends

The big rise in import further aggravated the international balance of payments for February (\$63m. deficit in foreign exchange balance) which pushed bank loans for financing import upward, and together with the deposit-dip caused by the big net withdrawal of funds by the Treasury, spurred the money market to tighten further. Consequently, commercial bank reliance on Bank of Japan credits increased.

These factors indicate that tightening of the money market is not necessarily temporary and accidental, and therefore may invite a reactionary trend.

Signs are appearing which tend to indicate that banks are finally tightening up on their loans. This tight money market trend together with the squeezing of business profits accompanying the rise in wage payments and the high priced raw materials-low priced processed goods tendency may bring about a decline in investments. An important factor to bear in mind in this connection is that the Japanese economy in its growth process is liable go out of line with the somewhat stagnating world business trend of late.

Wholesale prices on the whole were relatively stable in February (0.1% dip), but producer goods continued to be firm. This going-it-alone, firming producer goods price trend in the face of increased import led by industrial raw materials, and the recently softening overseas commodity market trend can be laid to the persistent home demand for plant and equipment investment funds.

Establishment of a reserve requirement system was recommended by the Financial System Research Council to the Government. Emphasis was placed on quantitative monetary control, and Bank of Japan operation of the sys-

ECONOMIC LETTER FROM TOKYO

Finance Ministry's Attitude on Import: In view of the quickly dwindling trend of foreign currency holdings the Finance Ministry is studying how to cope with the situation, especially what is to be done with the import trade. The prevailing opinion on this point is to continue the attitude of wait and see for the time being. Taking any strong restrictive measures at this juncture is premature. This view is based on (1) that the worsening of foreign currency position in April-June was not unforeseen, but what has already been anticipated; and (2) that the recent rise in imports may chiefly be attributed to still active trend for investment, and not so much to any increased propensity for consumption or speculative demands for goods. Accordingly, even though some regulative steps might be taken, they shall not be anything drastic for the time being, but be properly confined to such as strengthening the suasion

tem along with the official rate changes and open market operations.

Foreign Trade & Foreign Exchange

A sizable deficit was recorded for February (\$63m.) in the balance of payments. Receipt from export dipped, whereas payment rose for goods and invisibles. This is the second largest deficit since January 1954 (\$87m.). Deficits were seen in the balances with all the currency areas (dollar, sterling and open account). The negative balance with the dollar area caused by the rise in import was conspicuous.

The F.Y. balance of payments up to Feb.-end of the year as compared with the corresponding period of the previous year reveals a striking contrast. Although the nominal balance for the former showed a \$93 million-surplus (\$99m.-deficit if the \$192m. import credits are deducted), the latter revealed a \$485 million-surplus (\$377m.-surplus minus import credits).

Recent export trends indicate that the rise is dulling for the Southeast Asian markets influenced by foreign exchange difficulties in the recipient countries and brisk demand in Japan. However, February export indicators (including customs, foreign exchange and letters of credit) still maintained the \$200 million level, although dipping slightly from the previous month. In commodities, textiles, metals and foods were dull, but ships, fertilizers, cement and rubber goods were favorable.

The import trend is still upward, particularly in raw materials. This trend has been continuing from spring of last year, and the inventory level has upped considerably. (At Jan.-end this year, the raw materials inventory index was 46% above the cor. pd. of the prev. yr., and the inventory index rate was 17% above). The persistently rising import trend is backed by the high import indicators for February (including customs, foreign exchange, and letters of credit) which went above or near the \$300 million level. Import leaders are still industrial raw materials as iron and steel, and textile raw materials. However, a point of caution is that there have been certain instances of advance import in anticipation of tighter import credits.

Another significant foreign trade factor is the conspicuous rise in usance financing of import, particularly on raw materials import funds. Upon arrival of usance maturity, a switch is made to domestic financing in yen. This role of import financing is considered significant in that the dollar and sterling usance balances rose from \$81 million and £62 million respectively at Jan.-end 1956 to \$184 million and £92 million respectively a year later at Jan.-end 1957.

to refrain from import at the Bank of Japan's counter, reselling of public and corporate bonds, etc.

Equipment Investments: A survey of new orders for machinery received as made public by the Economic Planning Board shows no lessening in the equipment investment activity yet. Although the total amount of such orders received during February decreased by 7.2% from January to Y59,500 million, it is accounted for by smaller orders coming from abroad, the home demands reaching Y54,300 million or 28.4% more than the previous month. Of this latter again orders from Government and other public offices increased by 28% and those from private enterprises by 19.1%.

Big Banks' Business Expansion: Reflecting brisk industrial equipment investments bank loans have continued a marked expansion since last year. Majority of demands for funds having concentrated on banks in big cities, the business expansion of big banks has been pronounced in particular in the past one year or so. The preliminary reports available of the principal accounts of the 12 Big Banks as of the end of March last show deposits of Fuji Bank exceeding Y400,000 million level, while both deposits and loans of other banks without exception gained during the past year. Those having deposits outstanding at the end-March of over Y200,000 million counted 8 in number, while all of these banks increased their loans by many times as had been made a year ago.

Loan Restrains Urged: The Bank of Japan has sent for executives concerned with financing of the 9 big Tokyo banks including Fuji, Mitsubishi, Dai-ichi, Mitsui, Kangyo, Kyowa, Kogyo, Long-term Credit, and Tokyo, and strongly entreated them to the effect that the present rapidly deteriorating balance of payments situation forbids the Bank to go on increasing its advances, and therefore, banks hereafter are advised and expected to extend new credits only in so far as could be financed by collection of their loans. This was taken as the manifestation of a firm attitude on the part of the Bank of Japan not to approve of any increase in the outstanding bank loans in future. It is certain that the Bank's policy of curbing credit, mostly through suasion at the Bank's counter, would be further strengthened.

Banks as Government Depositories: In banking circles there is a desire to have the Government adopt the system of using commercial banks as depositories of Treasury funds with a view to levelling and balancing withdrawals and payments of Government money. Led by the Federation of Bankers Associations a study is now being made to bring this hope to fruition. The Bank of Japan is also making a study of the advisability of instituting such a system, but it is rather critical in its attitude. In meeting the squeeze or redundancy of money caused by movement of Government funds, opinion is strongly in favor of resorting to some other method such as, for instance, market operation.

Wheat and Barley Crops: According to the Ministry of Agriculture and Forestry on conditions of 1957 crops of wheat, rye and barley as of April 1, the low temperature prevailing and unusual drought and dearth of water since last autumn unfavorably affected the growth of new crops, and conditions are generally poor all over the country. Ears would be 5 or 6 days late in coming out this year compared with the average year, and the season's yield is estimated inclusive of wheat, rye and barley to amount to only 26,210,000 koku (1 koku equals to 5 bushels approximately) or 1,720,000 koku less than the average year and a decrease of 2,950,000 koku from the actual harvest last year.

FREE CHINA'S FOREIGN EXCHANGE AND TRADE OPERATIONS IN 1956

By P. Y. Hsu

(Minister of Finance and concurrently Chairman of Foreign Exchange & Foreign Trade Control Commission, Taipei)

The operation of foreign exchange and export-import trade from January to December 1956, has been generally satisfactory and progress has been made in certain respects. The total value of exports exceeded US\$130 million, which amount, though some US\$3 million less than 1955, was higher than the export figure of any other year since V-J Day. The value of sugar and rice exported came to some US\$88 million, about US\$11 million less than 1955. The export of commodities other than sugar and rice rose to US\$41 million, US\$8 million (or 25%) higher than that of 1955—a new record for private exports. The value of exports has been on an uptrend during recent years, especially for commodities other than sugar and rice (shipped mostly by private exporters) which soared from US\$16 million in 1950 to US\$41 of last year, representing an increase of 150%.

The Annual Trend of Free China's Exports, 1950-1956

Year	Unit: US\$1 million		
	Total	Sugar & Rice	Others
1950	93	77	16
1951	93	65	28
1952	120	93	27
1953	130	102	28
1954	98	67	31
1955	133	100	33
1956	130	89	41

On the other hand, amount of imports, inclusive of U.S. Aid arrivals and imports made with self-provided foreign exchange, reached US\$227 million, due to increased importation of capital equipment and industrial and agricultural raw materials. The percentages occupied by capital equipment and industrial and agricultural raw materials have been increasing during recent years while the percentage of consumers' goods decreased. Capital equipment imports rose from 13% of total value of imports in 1950 to 24% in 1956; industrial and agricultural raw material imports increased from 41% to 50%; while the importation of consumers' goods dipped from 46% to 26% during the same period.

The Annual Trend of Free China's Imports, 1950-1956

Year	Total		Capital Equipment		Industrial & Agricultural Raw Materials		Consumers' Commodities	
	Value	Percentage	Value	Percentage	Value	Percentage	Value	Percentage
1950	123	100%	16	13%	50	41%	57	46%
1951	143	100%	19	13%	65	45%	59	42%
1952	207	100%	27	13%	100	48%	80	39%
1953	191	100%	23	12%	82	43%	76	40%
1954	204	100%	41	20%	97	48%	66	33%
1955	190	100%	38	20%	98	52%	54	28%
1956	227	100%	55	24%	114	50%	58	26%

The price indices of both exports and imports in 1956 were lower than the general price index for the same year; the climb in the latter index during 1956 being 5.6% while increase in the former indices was only 0.2%. In addition, the price indices of both exports and imports were much steadier during 1956 than in 1955.

* * * *

The basic principles in the formulation of foreign exchange and trade control policies were the seven guiding principles announced by the Premier at the Legislative Yuan in February, 1955 and the eight resolutions on foreign exchange policy reached by the Central Plenary Session of the Kuomintang in May, 1955. To perform its functions, regulations, plan, or measures had been drafted or enforced according to the prevailing domestic and international situation and an overall consideration to national and social economic benefits. Emphasis had been laid on the following:—

- (1) Ways and means to encourage or assist exports;
- (2) To allocate as much as possible foreign exchange for import of equipment or raw materials required in our economic development;
- (3) To decrease import of non-essentials and outward remittances wherever possible;
- (4) To coordinate our export-import trade with our anti-communist economic warfare and foreign policy;
- (5) To maintain our international credit standing and to induce inflow of foreign and overseas Chinese capital;
- (6) To investigate the operation of trading firms, with directives or penalties for various violations in order to put their business operation on the right track;
- (7) To coordinate closely with the utilization of U.S. Aid;
- (8) To intensify investigation and research work as a basis for formulating policies or expansion of trade activities.

As a result of the domestic political stability and normal economic development in 1956, the export-import trade had, as a whole, been carried out according to plans. However, for some specific reasons, certain individual projects encountered some difficulty. A few cases may be cited here. Several typhoon attacks affected agricultural production to a considerable extent, especially the production of banana in the second half of the year, export volume of which was far below previous years. There was also a decline in the export of fresh fruits. On account of more military and civilian constructions, we had to import large quantity of cement

instead of exporting it as we used to. As a result of the unbalanced supply and demand situation, only a trickle of coal was exported in the second half of 1956. On the other hand, there were large increases in the import of crude oil, metals and ores, machinery and tools, chemical products, raw cotton, rubber, lumber, dyes and pigments, either to

meet the need of national defense, civilian use, industrial expansion or export processing. The increase in the import value of some of these items exceeded 50%. Domestic agricultural and industrial developments also made it possible to export certain items which had to be imported previously or to decrease or suspend certain imports.* Prominent examples are the export of onions and the suspension of glass imports in the second half of the year. Increase in outward remittances reflected higher international freight rates and larger trade volume. The increment in air passage exchange settlements was brought about by more personnel going abroad and the home coming of more overseas Chinese to Taiwan, signifying our political stability and prosperity.

* * *

In 1956, our foreign trade was greatly affected by the Middle-East incident. The blocking of the Suez Canal had raised ocean freight rates in general and caused difficulty in shipping. It also increased the load of our shipping lines, which had a shortage of transports. As a result, a portion of our export goods could not be shipped out on schedule. Because of the critical international situation, continual rises were registered in the price of strategic goods, such as rubber and steel and some hardship was experienced in the procurement of steel. However, the Middle-East hostilities also brought us certain advantages, especially the sharp rises in the foreign sugar price. Export proceeds of sugar occupied over 60% of our total exchange income. The world market for sugar was rather stagnant in the first half of the year and the International Sugar Council had once and again considered the cutting of export quotas for its member countries. Our government repeatedly took the stand of withdrawing from the Council in case our export quotas could not be maintained at 700,000 tons per year. Then the price of sugar gradually became firm in the second half of the year and rose from US¢ 3.2 per lb. in November to over US¢ 5 at the end of the year, a hike of over 60%. The price was most favorable to our sugar exports. It is estimated that our sugar export income will be even more favorable in 1957.

Our trade with Japan in 1956 was not so good as in 1955. There was some delay in the negotiation of a trade agreement in the early part of the year. Though the trade agreement was soon concluded, the respective sales contracts for our major exports, sugar, rice and salt and major imports, chemical fertilizers were not concluded until August or September after we had made repeated concessions in our sales prices of sugar and rice, and not without the prompting of the Japanese Goodwill Mission upon its return to Japan. On our part, we failed to supply enough banana to meet the Japanese demand, because of typhoons. Hence, our export to Japan in 1956 dropped to 35% of our total exports from the average of 50% plus in previous years. On the other hand, we faithfully followed the trade agreement for our imports from Japan and commodities which could not be directly supplied under U.S. Aid programs were procured from Japan whenever possible. Our total imports from Japan, therefore, occupied 56% of our total imports made with government exchange. On balance, there was an import surplus of US\$19 million in our trade with Japan in 1956.

Significant progress was recorded in our trade relationship with other friendly countries. Trade agreements were signed with the Philippines, Spain, Italy, Lebanon, etc., followed by active promotion. In addition to signing two special barter agreements, South Korea also bought large quantities of coal, lumber, glass, etc. from us. Trade opportunities with South-east Asian countries, such as Thailand, Vietnam, Cambodia were greatly enhanced after the

despatch of goodwill and trade missions to these countries, the holding of mobile exhibitions of our products in these areas, participation in the Thailand International Fair and the successful initial sale of khaki cloth to Thailand. Our trade volumes with Iran, Iraq, Aden in the Middle-East were also greatly increased, with Iran buying US\$13 million of sugar from us. Missions from Australia, Ryukyus, Belgium visited Taiwan to informally explore measures for developing trade. The United States had rendered much assistance in the promotion of our handicrafts and home industry. Overseas Chinese missions who returned for the Double-Tenth and the President's birthday celebrations had shown great enthusiasm in the promotion of our trade with various parts of the world. In short, our relationship with other governments in connection with trade in the past year had been most cordial. However, so far as the world market prices were concerned, we lost more than we gained. To illustrate, though there had been a substantial rise in the price of sugar, there were sharp drops in the prices of tea and citronella oil and tremendous hikes in the prices of steel and rubber and freight rates, with telling effects on our export market and import cost.

In 1956, there was a record high in U.S. Aid arrivals, totaling US\$95 million, most of which were industrial equipment and supplies, surplus agricultural commodities, while consumer goods under commercial procurement amounted to only some US\$16 million. This shows a trend of U.S. government foreign aid policy; to make surplus agricultural commodities its main items of export; to concentrate its aid in assisting recipient countries in economic development and to decrease the supply of consumer goods in general. In the past year, advisers and technicians of finance, trade, industry, agriculture of United States agencies in Taiwan continued to render assistance in the implementation and improvement in our production and trade programs in accordance with their established policy, especially in the promotion of trade with South-east Asia and South Korea, in the preparation of exhibition projects and in the improvement of handicrafts.

* * *

Another special feature in foreign exchange operation and external trade programs last year was the fulfillment of our foreign obligations and expansion of foreign and overseas Chinese investments. In order to induce foreign investments, we just maintain a good credit standing and honor our payment obligations according to schedule. All exchange payments for procurement of goods or service by Taiwan Power Co., China Petroleum Corporation, Taiwan Railway Administration, China Merchants Steam Navigation Company, Taiwan Navigation Company, the private owned China Artificial Fibre Corporation and other private enterprises were effected on schedule according to respective contracts. Some of the new major Sino-American joint undertakings for development projects are: (1) construction contract signed between Ingalls Shipbuilding Corporation and the Taiwan Shipbuilding Corporation; (2) supply contract between Taiwan Power Company and Westinghouse International Corporation for the erection of a 75,000 KW thermal power plant; (3) contract between China Petroleum Corporation and Caltex International for refining aviares; (4) second expansion project of Kaohsiung Ammonium Sulphate Corporation and other projects of private enterprises for the production of cement, alkali, glass and electric appliances. In the coming years, the Government has to appropriate large amounts of foreign exchange to honor all these instalment payments. In the past years, over sixty cases of overseas Chinese investments were approved by the authorities concerned, involving imports of equipment,

raw material, commodities for realizing New Taiwan dollar funds to the total value of over US\$10 million.

With regard to export promotion in 1956, we broadened the use of exchange certificates, provided loan facilities for assisting exports, formulated measures for promoting export of goods processed with imported materials and made constant study of the international market. As to the control of traders, steps were taken to prohibit the sales of import rights, and cancellation of trader registration, suspension of import exchange settlement as well as warning to some traders who attempted to violate laws or regulations. To save import exchange, general applications for certain non-essentials were either rejected or suspended. Criteria were also drawn up requiring government agencies and public enterprises to buy local products whenever possible. As to anti-communist economic warfare, we strengthened our information service on exports, increased the export of indigenous products and favorable treatment to oversea Chinese trade.

On balance, our foreign exchange operation and external trade situation in 1956 were generally satisfactory. They had been closely coordinated with the utilization of

U.S. Aid and with the development of agricultural and industrial productive enterprises. The promotion of new market abroad, encouragement for export of service, introduction and exhibition of export products in South-east Asian areas had been most intensive. It is estimated that, benefited by the foundation for export promotion laid last year and the upward trend of international price for sugar, total value of exports in 1957 will exceed the 1956 figure of US\$ 130 million by over US\$30 million. However, this estimate is conditional on a generally stable international market price level, little change in the world political scene and no serious natural calamities.

There is, of course, room for improvement in our technique and method for foreign exchange and trade control. Authorities in charge should observe government politics and widely solicit suggestions from various quarters with a view to obtaining improvements in this connection. However, the basic principles will remain to be encouragement for export, cutting down exchange expenditure, coordination with the development of agricultural and industrial productive enterprises and regulation of the supply-and-demand of daily necessities.

POLITICAL DEVELOPMENTS IN SINGAPORE

Dominant concern in Singapore during April has been with the second series of constitutional talks in London. In contrast to last year's talks, the substance of Singapore's proposals and the agenda were known and approved and debated before hand. Their strength lay in their moderation, and the firmness and unity of the smaller delegation, and it was not considered necessary to maintain a steady pressure of public opinion behind the mission by enlisting the instruments of publicity. Yet enough news came through in addition to the formal communications to show that there was what the Chief Minister Mr. Lim Yew Hock described as "rough weather for the good ship 'State of Singapore'". Success was expected and achieved, and when the Report was published on April 11th, full praise was given to the leadership and tactics of the Chief Minister for this success. But the sky was clouded or the drink soured (according to taste in metaphors) by the stipulation of the Secretary of State in paragraph 30 of the report that those detained for subversion should not be allowed to stand at the first election. The delegation opposition was written into the published reports. The U.K. Press have been divided in their comment on the necessity and the tactic of this proviso, and the majority of the Singapore Press have opposed it. But whatever its merits, it dominated the news, particularly as the general pattern of the agreement was as had been expected and had little of news value. This was unfortunate for the solid achievement of securing agreement to the Singapore proposals lost some of its impact. And at the successive Press Conferences given by the Mission at the air-steps on their return, this continued to be the matter of prime interest to journalists. The political parties had however agreed not to comment on the proviso until the Mission returned to Singapore and filled in its background.

The return of the Mission on April 14th was quiet. The Mission held a Press Conference at the Airport at which the Chief Minister said the Secretary of State had insisted on the proviso against those guilty of subversion under the Public Security Ordinance taking part in the first elections. They had opposed it as an undemocratic procedure, but the Secretary of State thought it essential for a democratic legislature. The Chief Minister promised to hasten the registration of the new

citizens to allow the election to be held as early as possible, and claimed that apart from the transfer of imperial responsibility from the Colonial Office to the Commonwealth Relations Office, they had achieved what they had sought.

Although Mr. Marshall was absent from the welcome, he soon made his point of view clear. He opposed the constitutional proposals as a "still-born child" or again as a "pock-marked beauty smothered in chloroform"; he held that to delay the elections was to prolong colonialism; and while he agreed with the ban on those detained for subversion taking part in the elections, he said it should have been done by the Singapore Government and not by the order of the Secretary of State for the Colonies. He asked that the whip should be taken off during the Assembly debate, but when the Labour Front did not agree, he sent in his resignation, thus leaving the Coalition Government with only 10 elected members out of the 25 in the Assembly, and, with the official and nominated members, 15 members of the total membership of 32. He announced that he contemplated resigning from the Assembly too but after a meeting with certain Trade Unionists, he decided on their representations to remain in the Assembly. He told them that he would try to get an early general election fought on the issue of whether or not the constitution should be accepted, i.e. an election in which he would challenge all the Party leaders. It was not therefore any surprise that the Left-Wing members of the Unions formerly associated with Lim Chin Siong should welcome and encourage this attitude even though it was opposed to the stand of Mr. Lee Kuan Yew, the PAP leader. "I may be able" said Mr. Marshall "to get the present Legislative Assembly dissolved and move another election so that the people of Singapore may hold fresh talks for a completely satisfactory constitution. The present constitution serves only to prolong colonial rule... and will bring misery to the people of Singapore." He then attacked the Labour Front which he said "since my resignation as Chief Minister has gradually weakened down."

The scene was set but the outcome in the Assembly was far from what had been expected. The Government motion asked the Assembly to note the report and approve the points of agreement, while also approving the stand of the All-Party Delegation.

tion in not accepting the stipulation against detainees for subversion not taking part in the first election. In opening his speech the Chief Minister paid tribute to Mr. Marshall for having blazed the trail, they had successfully followed. He emphasised that the theme and the fact throughout was consultation and unity. He claimed that the mandate given to them was fulfilled except on two points. The first was the transfer of responsibility for Singapore in the U.K. from the Colonial Office, but the All-Party Committee in its preliminary discussion had agreed that this was not to be a breaking point in the negotiations. The second was the position of civilian employees of the Armed Forces, but this was not a constitutional issue and had only been included in the agenda so that the point could be pressed at the highest level. On the date of bringing the new constitution into force he emphasised that the delay was not due to their wish to remain in office, but to their wish to give to the new citizens "the right to a say in the new constitution". He said that when the Secretary of State had imposed his stipulation against the detainees taking part in the first election they had decided to note the intention, to protest against it, and then to report back to the Assembly. The Government attitude was that they must protest otherwise their motives in using the Public Security Act against subversion would be misjudged. He said that if the motion were passed the Government would proceed at the same time with the Citizenship Bill, and with representations to the Secretary of State to reconsider the stipulation imposed. He concluded by thanking the Federation Government for their co-operation in making possible the crucial device of the Internal Security Council. Mr. Lim Choon Mong, leader of the Opposition, seconded the motion.

That was on Friday morning and the debate continued that day, on Saturday (including the afternoon), on Monday and into Tuesday morning. Mr. Marshall himself talked through a whole day. He attacked the Mission and the report; he attacked his former colleagues; he accused the P.A.P. of "double-crossing" their followers, and perpetrating on them the "fraud" of the constitution. His main points were that under the present agreement the Singapore Government would have less control over internal security than he could have had in 1956; that the deciding power on internal security should not lie outside Singapore, even if the deciding voice were with the Federation; that the Governor-General was still appointed by the Queen, and as "Malayan-born" could still be a European; and that the government was dragging its heels over the elections in order to retain its powers, and was prepared to prolong its life beyond the allotted four years by Order-in-Council. He supported the ban on the subversive elements but attacked the way in which it had been done. His speech led up to an amendment to the effect that the Assembly should "regretfully" take note of the Report, but nevertheless "call for the immediate implementation of the new constitution on the basis that all persons qualified by residence for citizenship shall be entitled to vote at the first elections". His thesis was that the Assembly had outlived its representative capacity and should be dissolved and the election fought on the issue of the new constitution. To meet the argument that this would deprive the new citizens of the vote in a crucial election, he suggested that they should be registered from the Identity Cards without giving them citizenship rights. When it was pointed out that the residential qualification was ten years, and that the Identity Cards were only issued 8½ years ago, he suggested that the period should then be reduced to 8 years. It was expediency to have an election at all costs. His most bitter attacks was on the Mission for allowing the Secretary of State to insist on the ban on subversives. He asked, "Was he acting as an indulgent host to scattering mice who were taking hospitality and hiding place in his coat tails." Of the PAP, he said that they did not want them out of gaol because "if the

Left Wing comes out of gaol, the Right Wing goes out of the window".

Mr. Lee Kuan Yew replied first to defend the constitution in which he fully believed as a working constitution to fill the time until the time came for merger with the Federation in which alone could come the fulfilment of Merdeka. But he was also concerned to defend the good name of the PAP. And for both reasons he accepted the challenge which Mr. Marshall in his speech has thrown out to fight the issue in the constituency. He announced that he would resign after the vote and fight the election. This inevitably introduced an electioneering element into the debate, but it was not what Mr. Marshall had expected. Instead of the general election he had hoped to force, he faced an individual bye-election with a high personal as well as a political factor. He asked the Chief Minister whether he would agree to postpone the vote on the motion and the amendment until after the bye-election, but the Chief Minister after consulting the other party leaders, refused. The isolated bye-election would lose its significance as a miniature national election, and would become a rearguard action against processes of registration and protest to London, already in train. This created a difficulty for the Unions who had been supporting Marshall. They had a straight decision between Lee Kuan Yew and their party, or Marshall. They decided for the party but immediately tried to persuade Marshall to withdraw from the election their leader, Lee Kuan Yew, who was now seeking to force. When Marshall found that he would fight a united People's Action Party in a constituency where Lee Kuan Yew had two forfeited deposits as the scalps of his opponents in the 1955 election, he decided to withdraw from politics. In his letter to his voters in Cairn-hill announcing his resignation, he attacked the dishonesty of the constitution, on which he had hoped to test their opinions in the bye-election. But the Assembly vote had been taken and "in the major issue of your freedom from daily colonial domination I have failed miserably" and "for the immediate welfare and tranquillity of Singapore" he would withdraw from politics. "I believe", he said, "it is wiser at present for our voice to be silenced until the genuine nationalist, anti-colonial democratic forces are adequately organised to meet the challenge not only of the Communists but of all the pro-colonials". And so just over two years after Marshall blazed into political power, he dims his light for a time.

To return to the debate Mr. Lee Kuan Yew met Marshall point by point. He denied that they had let down the members of their party now detained, and said, "They were colleagues of mine and of my executive committee. We will never take office as long as they are in gaol". Answering the charge that they were colonial "stooges", he said, "If we are anybody's stooge, we will be the stooge of the Federation Government which will hold the casting vote". He saw the constitution not as an end, but as a half-way house to merger with the Federation with which Singapore was economically bound, and by which Singapore was economically controlled, and militarily confined". He denied that they had any wish to delay elections. They wanted elections after six months had been allowed for the registration of the new citizens. Among his main points he moved the attacks on Marshall's conduct of affairs over the past two years to which Mr. Marshall had paid himself open by his unrelenting attacks on former foes and colleagues alike.

The Chief Minister was provoked to reply by the unashamed attacks on him in spite of his loyalty to his former Chief Minister when he served under him, and his recognition as Chief Minister of what had been achieved by his predecessor, "This is" he said, "a sad day for me and my colleagues. If tears could wash away the shame that has befallen us, I could weep". It was a speech of strong emotion and controlled argument which made a great impression on the Assembly.

He replied in detail, but his emphasis was that the Mission had gone to London with a mandate agreed by the Assembly; they had won what they were sent to win; and yet the debate was one of bitter attack and recrimination. He added that Mr. Marshall had been a member of their preliminary committee almost to the last meeting before they left for London, and had not been present at the Assembly debate which gave the mandate when he could have put his points at an earlier stage. To the allegation that his government merely sought office, he replied that their term of office would be determined by the Assembly when it petitioned for the time allowed for the registration of new citizens had given adequate opportunity, and the elections should then be held. To the allegation of their unreadiness to face subversive elements and their calling in the Secretary of State for help, he pointed to their actions last October. "We did it because we felt it was needed, and we will continue to do it if it is needed of us. To the attacks on the device of the Internal Security Council, he pointed out that it had avoided the breaking point of the 1956 negotiations and had won a readier concession of power from the British Government.

The majority of members spoke during the four days. Mr. Lim Cher Kheng though differing from Mr. Marshall on many points yet seconded his amendment. A concise and convincing speech which set the issues in a clear national context was made by Mr. John Ede who concluded that he preferred to vote for the triumph of the Mission than for the tragedy of the former Chief Minister. The vote was taken on

the Tuesday morning. The amendment was defeated by 22 votes to 2, with six abstentions (including the three ex officio members) and two absentees. The substantive motion was then passed by 23 votes to 2, with five abstentions (again including the ex officio members) and 2 absentees.

The debate was over, but not its effects. Mr. Lee Kuan Yew has submitted his resignation. There is to be no election fight with Mr. Marshall, and his return in the bye-election is likely to be unopposed. He will return in a stronger position. Mr. Marshall as we have seen has also resigned, and there will be a bye-election in Cairnhill which must inevitably put a strain on the all-party unity which has made the constitutional agreement possible, and appeared to be giving necessary stability at a crucial time. The old bitternesses and something of the public restlessness which followed the 1956 talks has been revived. On the other hand, it is now agreed that the main task of the next 6 months is the registration of the new citizens. And the major disturbance which would have come from a bye-election between Mr. Lee Kuan Yew and Mr. Marshall in the Tanjong Pagar constituency has been avoided. Again the renewed unity of the PAP will stop a Left-Wing agitation against the constitution and bring any agitation within it, which is the aim of democratic policies. It is in the light of this situation that the Secretary of State will be asked to reconsider the proviso which he stipulated at the end of the talks to ensure that subversion does not undermine this particularly crucial election and hobble the hopes of democratic processes in Singapore from the start.

REPORTS FROM THE PHILIPPINES

The ten major U.S. motion picture companies are threatening to ban shipments of American movies to the Philippines. At a board of directors meeting of the Motion Picture Export Association of America, the organization's Asian representative was authorized to impose the stoppage if negotiations which he has been conducting with the Philippine Government over remittance and taxes cannot be concluded. In Manila, the Central Bank indicated that it is unmoved by the threat to stop the sending of American pictures to the Philippines. The Monetary Board declared that relaxation of present restrictions on remittance of earnings of American films would drain the country's foreign exchange reserves. If movie producers were allowed to remit more of their earnings, other American investors would demand similar concessions and the result would be bankruptcy of the country's reserves. The dissatisfaction of the American producers was brought about by these actions: 1. Last July 1 the Monetary Board cut down the amount of allowable remittances from the showing of U.S. films to 20% of earnings. The previous percentage had been slightly more than half. This action has resulted in the accumulation in the Philippines in blocked funds of some \$10,000,000. 2. The proposed revised tariff code of the Philippines has suggested a tariff rate of five pesos per linear meter of film imported here. This is very much higher than the average in other countries. 3. The Philippine Bureau of Internal Revenue has gone over the back tax records of the motion picture imports and assessed an additional levy of \$10,000,000, about the amount of the blocked funds.

Representatives of four government agencies will take combined measures to stop the flourishing trade in tax-exempt cars, a racket which has cheated the government of hundreds of thousands of pesos. The Finance Department, Customs, In-

ternal Revenue and the Motor Vehicle Bureau will cross-check their records to stop the sale of the vehicles.

In a move which strengthened the announced policy of government withdrawal from business enterprises, the Cabinet approved the sale of government shares in the Manila Gas Corporation. This is the fifth group of government investments to be sold to private capitalists. Pres. Garcia directed Juan Concon, deputy administrator, Office of Economic Coordination, to appraise the government shares in the gas company in preparation for the sale.

Pres. Garcia declared that the administration has been operating on a balanced budget for the past three years and that he will never tolerate deficit spending while he is at the head of the government.

Economic Indicators: Dollar reserves of the Philippines: \$206,180,000. Currency issue of the Central Bank: P783,850,000. Gold price, free market in Manila: Bullion, P124.50 per oz., Refined, P125.00. Both bid.

Lepanto Consolidated Mining Co. in April milled 37,157 tons of ore and produced 5,425 tons of concentrates containing an estimated 2,713,580 pounds of copper and 4,486.0 ounces of gold. Average copper content of ore was 3.8% and average gold content was 0.145 ounce per ton.

Atlas Consolidated Mining and Development Corp. in April milled at its Toledo plant a total of 247,786 tons of ore, which yielded 6,412 dry short tons of copper concentrates, averaging 22.65% copper. These concentrates were estimated to contain 2,904,197 lbs. of copper, valued at P1,720,514, and 801 oz. of gold,

worth P80,100. The April production of copper concentrates surpassed all previous monthly figures. Atlas shipments to Japan from the Toledo mill during April totalled 6,839.7 dry short tons of copper concentrates, estimated to contain 3,129,231 lbs. of copper, worth P1,853,819 and 946.6 oz. of gold, valued at P94,660. The Mati mine of the company in April shipped a total of 17,090 metric tons of iron ore, valued at P285,949. This brings the total peso value of April shipments of copper concentrates, iron ore and gold to P2,234,428.

Samar Mining Co. produced during March at property in Masara, Davao, 6,551 dry short tons of ore for a yield of 42,800 pounds of copper, 43,770 pounds of lead, 210,882 pounds of zinc, 886.69 ounces of gold and 7,759.13 ounces of silver. In addition, recovery from the oxidation plant yielded 314.8 ounces of gold in bullion, 1,014 ounces of silver in silver nitrate solution, and 1,206 ounces of silver in Matte. Estimated total value of the marketable metal before smelter deductions and ocean freight charges was P239,567. The company's property in Sibuguey, Zamboanga del Sur, may eventually turn out to be one of the biggest iron ore producers not only in the Philippines but in the Far East.

Jesus S. Cabarrus, president and general manager of Acoje Mining Company, told stockholders of the firm at their annual meeting that the results of operations of the refractory chromite producing firm during the past year had been the most successful in the history of the prewar mining company. Expansion in production increased over 45 per cent from 1955. Acoje's net profit for 1955 soared by over P1,689,090 to P1,859,459.

Marinduque Iron Mines Agents, Inc. inaugurated its 10-million peso copper mill at the Sipalay project, Negros occidental. The new mill, powered by five generators of 1,250 KVA each, is capable of treating 4,000 tons of ore daily. The company expects, with this new plant, to have a net production of 1,670,000 lbs. of copper concentrates a month or about 20,000,000 lbs. annually, valued at about P12,000,000. The anticipated output is based on the assumption of milling 1% copper ore and on 80% mill recovery and 95% smelter recovery. For the current year the company is considering the feasibility of putting up a copper smelter and refining and sulphuric acid plants at both the Sipalay and Bagacay projects for processing copper and pyrite concentrates. A 4-million peso copper concentrator is also planned for the Bagacay project in Samar.

ECONOMIC LETTER FROM MANILA

In accord with the government policy to withdraw from business enterprises when private firms have indicated willingness to take over, the cabinet approved the sale of the shareholdings of the government's National Development Co. in the Philippine Electrical Manufacturing Co.—a manufacturer of incandescent bulbs—and the Compania Celulosa de Filipinas—a pioneer in the production of cellulose materials. The cabinet also decided to authorize the sale of the National Development Co. canning plant to C. L. Inductivo for P215,041.

Del Rosario Bros., Inc., will open a new sewing machine factory before the end of the year using machinery purchased in Japan.

Transworld Airlines has set Oct. 27 as the date for inauguration of its service to Bangkok and Manila. Start of the new service depends upon the outcome of negotiations between the United States and the Thailand and Philippine governments. TWA's route to Europe and Asia now terminates at Bombay and Colombo. Authority to extend it to Manila was recently granted by the U.S. Civil Aeronautics Authority. Extension to Manila is planned to tie in with Northwest Airlines service at that point.

Representatives of Philippine Air Lines and the Philippine Civil Aeronautics Administration concluded a special training course in the operation and maintenance of the Vickers Viscount

planes which PAL will shortly place in service on the Manila-Hongkong run. The training course was carried out at the Vickers-Armstrong service school at Weybridge, England.

Olimpio A. Cabellon will shortly establish the first national development bank in the Philippines, with an authorized capital stock of P200,000,000. Half of the paid up capital of P5,000,000 has been subscribed by members of the Philippine Chamber of Industries, to which Cabellon belongs. The business executive built the Mafran Food Corp. The proposed development bank will extend liberal credit facilities and banking services to agriculture, industry and commerce.

Plans for a P100,000 coffee processing plant in Tagaytay were revealed by the governor of Cavite province, Delfin Montano. The project will be operated jointly by the provincial government and the Cavite Coffee Producers Association. Construction of the building started while modern imported machinery is due to arrive in June. The plant will process all the coffee produced in Cavite and Batangas provinces. Experts from the Department of Commerce have found that local coffee beans are of high quality that compares favorably with South American coffee. Processing in a modern local plant is expected to enhance the value of the local product and give producers more control over its price.

HONGKONG NOTES AND REPORTS

Traffic Problem: The Police addressed a circular letter to large business firms in the central district and chambers of commerce inviting them to consider the possibility of introducing staggered business hours in order to alleviate traffic congestion during peak traffic periods. The Police suggested that large numbers of employees should arrive and leave their places of employment at staggered intervals between 8:30 and 9:30 in the morning and 4:30 and 6 in the

evening. Traffic conditions in the central area at present just before 9 a.m. and after 5 p.m. are already bad and the situation will progressively get worse as more multi-storeyed office blocks are completed in this area. The Traffic Department's concern over the situation is justified and the public should give full cooperation to the Police in solving the traffic problem. However, will this so called "staggered business hours" scheme be workable? From the manage-

ment point of view it is not impossible to reorganize the staff into different shifts but has the Traffic Department any suggestions on how different shifts should be divided so as to assure a well distributed flow of traffic in and out of the central district? Why not be more practical and build fly-overs in the central district to speed the flow of traffic at various busy intersections? If Government succeeds in negotiation with the Army to buy the Murray Barracks and Parade Ground, the bottleneck at Queen's Road Central could be eliminated. But before such improvement why not prohibit lorries from entering the central district during busy hours?

Public Transport: In spite of the fact that the number of private cars in the Colony increased from 15,218 to 17,507 during the year ended March 1956, many car owners consider that with the exception of week-end trips to beaches and the New Territories it is more convenient to travel by public vehicles which are overcrowded but well run by various companies. An electric tramway is operated by Hongkong Tramways with over 19½ miles of track along the north side of HK Island. 126 cars are in daily service. The cars are double decked with third class accommodation on the lower deck. Maximum fares for each route are 20 cents for first class and 10 cents for third class. During the year 146 million passengers were carried and the total run was about 6,500,000 miles. A wire cable tramway service is run by the Peak Tramway from the lower portion of Garden Road to Victoria Gap some 1,300 feet above sea level. Two aluminium cars are connected by cable to an electrical haulage plant at the upper station. The journey either way takes 8 to 10 minutes. Over 1,500,000 passengers were carried during 1955/56. 193 buses are operated on HK Island by the China Motor Bus Co. Owing to the hilly nature of many routes, the buses are all single deckers. Some routes run parallel with tramway routes. Nearly 8 million miles were covered during the year and passengers carried exceeded 64 million. A flat rate fare of 20 cents (3d.) is charged within the city area; fares on outlying routes are between 20 cents and just over \$1 according to the distance. But services throughout Kowloon and the New Territories are run by the Kowloon Motor Bus Co. with its 410 vehicles; 175 of which are double deckers. 200,000,000 passengers were carried during the year and over 19,500,000 miles covered. The British section of the Kowloon Canton Railway is Government owned and runs 22 miles from Tsimshatsui at the southernmost tip of the Kowloon peninsula to Lowu in the New Territories, close to the frontier. On leaving the urban area of Kowloon it enters a tunnel running beneath the Kowloon Hills and then passes through Shatin, Taiipo and Fanling. Two diesel electric locomotives were put into service during the autumn of 1955. Over 3,500,000 passengers and 162,000 tons of goods were carried during the year.

Cross harbour services are run by two ferry companies, one of which also operates beyond harbour limits to outlying parts of the Colony. The Star Ferry Co. has a fleet of eight vessels which ply between Tsimshatsui and the centre of Hongkong Island. The journey across takes about 10 minutes, each vessel carrying 500 passengers. Fares are 20 cents (3d.) first class and 10 cents (1½d.) third class. 35,000,000 passengers travelled on these ferries during the year. The HK and Yaumatei Ferry Co. operates a vehicular ferry service between Jubilee Street on the Island and Jordan Road in Kowloon. These two piers also serve as termini for other passenger ferry routes to destinations both inside and outside the harbour; additional piers will be constructed on both sides of the harbour to ease congestion. Three new passenger ferries were added to the Company's fleet during the year, when over 77,000,000 passengers were carried. There are a number of smaller ferries run by

private concerns and numerous launches ply for hire along the waterfront. There are also 860 rickshaws and some 600 taxis and public hire cars to provide individual transport in the urban areas.

The Tallest Building: Years ago when the Bank of China Building was under construction, it was reported that the Bank resorted to diplomatic intervention to get permission from Government for the erection of their little skyscraper of over 200 feet. By 1959, the new Chartered Bank Building now under construction will (as the Bank expects) be the tallest building in the Colony, 18 storeys on the Des Voeux Road side and 244 feet high from pavement level. Looking at HK from Kowloon the most prominent structure erected during recent years is the Police Headquarters with bright-coloured walls. Far to its left are the tall grey apartment buildings in North Point. Near the China Bank and the HK Bank along the water-front are the prominent Mercury House, the Chinese Chamber of Commerce Building, the Fung House and sticking out behind old buildings are the Alexandra House, the Wing On House and the 16-storey Man Yee Building. Other tall buildings planned along the water-front are the Fu Centre on the site of present Butterfield and Swire Building (to be 24 stories high), the Tai Cheong Construction Building next to the newly completed Fung House, the Li Po Chun Chambers Buildings next to the Marine Department Building; the Fu Centre will probably be taller than the Chartered Bank Building but nothing is definite at present. Other ambitious projects under construction in the central district besides the Chartered Bank Building are the Central Government Offices, the Jardine House, the Central House and the Yu To Sang Building, all exceeding 12 storeys. Recently, Communist agents here spent over \$5 million for the purchase of two structures along the waterfront near the China Merchants Steamship Company's wharf. It is not yet known what Peking plans to do with the site but there are no indications that Communists would erect a building taller than the Chartered Bank's 244-foot structure.

Usually tall structures are found in the business centres of a city but in HK many such buildings have been erected in the residential areas. Especially in the North Point district, towards Quarry Bay, a number of 18 to 20 storey buildings are under construction while in the Causeway Bay district, apart from the Tower Court which is among the tallest buildings in the Colony, quite a few skyscraper-like structures are rising. In the Happy Valley area also several tall flats have been completed recently. In Kowloon's Tsimshatsui district several steel-frame structures are under construction which will be approaching the 200-foot level. Apartment houses in that district have shown a tendency to rise above 10 to 12 storeys. The Manson House on Nathan Road will be, together with the Telephone House nearby, one of the tallest buildings here, with 16 storeys.

The architects of HK are now showing more ingenuity and their clients seem to be allowing more funds for ornamental additions such as aluminium facades, architectural concrete, glazed wall tiles and wide glass enclosures. There are some feeble attempts to copy or obtain inspiration from the works of the great contemporary architects like Gropius, Mies van der Rohe, Oscar Niemeyer etc., and the steel-frame structure is being more favoured by companies constructing office buildings. But the traditional ferro-concrete and brick building will prevail here, with emphasis on economical rather than pompous building.

Anti-TB Insurance & Treatment: The HK Anti-Tuberculosis Association is planning to launch soon a scheme of insurance which for a small annual premium, will provide free X-Rays twice a year and in the event of tuberculosis being discovered, free out-patient treatment until the con-

dition is relieved. If in-patient treatment is necessary, it will be provided at a greatly reduced fee. A pilot scheme will operate initially and when sufficient experience in conducting the campaign is mastered, the plan will be made available to the public. This campaign will have the full support from the public and the sooner it is made available to all the better will be its result because no anti-TB control can be 100% effective if it does not embrace everyone and check every possible source of infection. The Association's 230-bed Ruttonjee Sanatorium last year had 720 in-patients and its various clinics treated thousands of out-patients. But these figures represent only a fraction of the number of TB patients requiring treatment in HK. Government therefore favoured the construction of a new 8-storey hospital with 540 beds in place of the Association's 5-storey, 340-bed project. To meet the extra expense and the rising cost of construction, Government granted \$1½ million and an additional loan of \$1½ m. The hospital is now up and has been named "Grantham Hospital", located beautifully in the valley of Little Hongkong, near Aberdeen.

Flood and Water Supply: The joy brought to local residents by the extended supply of water was short-lived because the continuous torrents of rain last week, though filling all reservoirs with enough water to enable a further extension of supply hours, also caused heavy loss of lives, floods, landslides and damage to public and private properties. Within a 24-hour period, the reservoirs gained 1,584 million gallons; heaviest rainfall was recorded at Beacon Hill in Kowloon—10.75 inches within 24 hours.

Prostitution Problems: There are no licensed houses in HK but just as in other large seaports, the social problem of prostitution here is very grave. In 1952, the Social Welfare Office set up a special section (the Women and Girls Section) to help children in moral danger, juvenile prostitutes and unmarried mothers. During the year ended March 1956, this section dealt with 318 cases of prostitution and a number of bar girls, dance hostesses, etc. 30 unmarried

mothers were helped either to go through the ceremony of legal marriage, or to obtain maintenance for their children. 30 other girls, whose welfare had been the concern of this Section, were married at the Registry. Employment was found for 110 girls who had been in the care of the Section, 10 of them finding work in textile mills as apprentices with a small wage in addition to board and lodging. The special sub-committee on Moral Welfare appointed by the Social Welfare Advisory Committee is now nearing the end of its study of the problem of prostitution in the Colony, and its report will be published soon.

Preventive Service: During April, Government seized 287 pounds of opium and 3,900 grammes of morphine from ships and aircraft calling this port. In the New Territories, Revenue Officers seized 2,700 pounds of dutiable Chinese prepared tobacco; another 475 lbs were removed from incoming Macau ferries. Gold seizures during the month totalled only 372 oz. No case of smuggling of strategic supplies to China was discovered.

Imports of Rice, Frozen Meat and Coal: April imports of rice totalled 19,230 tons: 9,354 tons from Thailand, 4,354 tons from China, 3,383 from Cambodia, 1,137 from North Vietnam and 1,002 from Burma. Retail sales averaged 4,976 tons every week, slightly higher than the same month last year. Imports of frozen meat totalled 530 tons. Coal imports totalled 15,643 tons (14,643 from China and 1,000 from North Vietnam) bringing the total imports for first 4 months this year to 59,276 tons.

Maiden Voyage: The 11,500-ton m.v. "Zaanker" of the Holland East Asia Line (HK agents—Royal Inter-ocean Lines) arrived here on her maiden voyage last week. She has 6 holds with a total bale space of 583,900 cft including 10,500 cft for refrigerated cargo and deep tanks for bulk oil. There is also accommodation for 12 passengers in air-conditioned single and double cabins with private toilet and shower.

HONGKONG INDUSTRIAL DEVELOPMENTS

Ship Building: Very active and prosperous business continued. During the first three months this year, Hongkong Transportation Company completed and delivered to Dungan, one 44-foot steel single-screw tug and three 80-foot flat top steel barges. Orders were received from British Solomon Islands Protectorate for one 97-foot twin-screw passenger vessel; from Malaya for three 117-foot cargo barges and three 80-foot steel bauxite barges; from Singapore for one 110-foot single-screw tug; and from Rangoon for one 185-foot vessel and one 140-foot twin-screw salvage tug. Keels were laid and construction in progress on one 38-foot steel motor-sailing boat for a local owner, two 92-foot steel cargo barges for Sorong, and two vehicular ferry units for Mekong River. At the Cheoy Lee Shipyard, 9 commercial vessels were under construction: one 250-ton steel bunkering lighter for Indonesia, one 160-foot steel auxiliary schooner for Australia, one 140-foot steel vessel for the Government of Gilbert and Ellice Islands, one 85-foot steel tug and two 102-foot steel bunkering barges for Cambodia, one 130-foot steel lighthouse tender for Penang, one 800-ton steel cargo vessel for HK owners and one 108-foot steel stone carrier for Sarawak. Cheoy Lee was also building 10 pleasure boats mostly for US. Vessels completed by Cheoy Lee during the period included one auxiliary

schooner for Australia, one L.C.T. and one plant carrier for Sarawak, two 1,280-ton steel cargo coaster for Korea and one sailing sloop for US. Taikoo Dockyard received another order from China Navigation Company for two more 390-foot "C" class vessels in addition to 5 similar craft already ordered. Taikoo also received orders for one 177-foot steel dumb barge from Borneo and three harbour launches from local owners. The Mail Lighter for HK Government was still under construction; it will be completed before end-June. The Star Ferry Company ordered two double-ended diesel ferry vessels from HK and Whampoa Docks. Orders were also received by Whampoa Docks from Singapore for two 155-foot steel passenger and cargo vessels (one was launched early this month). The HK and Yaumati Ferry Company ordered two 105-foot and one 115-foot single-ended ferry vessels from the Docks. The Wing On Shing Shipyard had five yachts under construction varying from 30 to 40 feet. Four of these are for local owners and one for export to US. A house boat was constructed for a local owner. Vessels under construction included one 60-foot diesel tug and one 25-foot harbour launch. Business of this shipyard has fallen off principally due to the Cheung Sha Wan reclamation which will eventually block the yard completely from the harbour.

Air Conditioning Equipment: More residences, villas, office blocks and premises, shops and factories are being air conditioned. There is a great boom on in this business. It is now fashionable to own an air conditioner. Even in the small towns in the New Territories air conditioners are found frequently. The restaurant and entertainment trade has almost generally adopted air conditioning without which, it is presumed, business will not develop well. Import of air conditioning equipment for local installation is rapidly rising. As new houses, offices etc. are constructed with great speed, the demand for new air conditioners is very active and will remain so for a long time. Prices have declined due to easy supply and great expansion of production in Western countries which, in competition, are depressing quotations to the delight of consumers. Of all cities in the Asian tropics, Hongkong is by far—by very far—the most densely air conditioned one, and it looks as this lead will be further extended. The prosperity and high living standard of the community at large is reflected in the city-wide installation of air conditioners and the trend to erect office and public buildings only with central air conditioning equipment.

During the past two years a local firm manufactured and installed 30 sets of air conditioning equipment in hotels, restaurants and office buildings. With the exceptions of the motor and the air compressor, other parts are all manufactured in HK. Packaged units encased in sound- and rust-proof cabinets are now available for export. These units can be fitted with reverse cycle heating if required. Prices of locally manufactured air conditioners are about 35% cheaper than similar imported units. Enquiries have been received from New Zealand, Taiwan, Singapore and other SE Asian countries. The manufacturer claims that his products are as good as imported units. However, American and British air conditioners still dominate the local market and a 1-hp unit can be obtained for about \$1,600; instalment payments can be arranged with 25% down and the balance stretched over 12 months. If a locally manufactured similar unit is sold at about \$1,100 and the factory provides a 5-year warranty, it will not be difficult to find buyers.

Polyethylene Products: A firm is now producing machine-made, transparent and seamless polyethylene bags for packing shirts, sweaters, foodstuffs, furs and commodities of all sizes and types. A bag of 10" x 16" costs 10c. each. Suit and dress covers are 90c. each for 24" x 35" and \$2 each for 24" x 62" sizes. In addition to its popularity with local food and garment industries, polyethylene bags are now used by Taikoo Sugar Refinery for packing granulated sugar in 5-lb portions.

Cotton Wool: According to the Department of Commerce and Industry, cotton wool manufactured by a local firm is up to British pharmaceutical standards. This factory has a daily production capacity of 1,000 lbs of absorbent cotton wool. The entire process of sterilising, carding, cutting and packing is done by machine, untouched by hand. The quality however is not as fine as imported brands which still flood the retail market, and appeal to discriminating customers.

Peanut Butter: Locally manufactured peanut butter is one of many HK products which is cheaper than and as good as imported brands. Monthly production is about 50,000 lbs packed in ½ lb jars. Small quantities are exported to Canada, Australia and SE Asia. Supply of peanuts from China, Africa and Philippines is abundant and the manufacturing process is simple. Local factories however should improve their packing in order to increase both local

consumption and export sales. Promotion work is inadequate at present.

Torch Light: Several local factories are putting out torch cases with an electric horn incorporated into it but retaining the shape of the traditional torch light. It was designed for boy scouts; the horn can be used for practising morse-code. When attached to a bicycle, it provides light and serves as a horn. However in practical use its popularity is doubtful. It is more a toy than a useful article. Why not adopt a more attractive design for use on bicycles? There have been several unsuccessful attempts by local torch manufacturers recently to adapt the torch case for other uses, copying the example of Japanese factories. The mid-get 'vacuum' cleaner with a circular brush in front of a small suction fan connected to a small motor is no longer attracting orders from overseas after a few trial shipments to various markets. These 'new' products attracted buyers' curiosity but failed to keep the demand because they had no practical value. Instead of adapting it for other uses, why not improve the torch light itself?

Expansion: More factories are rising, all over the place. Workers are finding more employment (at terribly low wages). Industrialisation is a topic of most businessmen's calculations and conversations. Entrepreneurs are going ahead, leaving professional economists to do the worrying. Capital is here and is coming in, mostly from overseas Chinese. Venture capital, though short, is adequate to finance a good deal of the many factories under construction; the rest is found, at high interest, in the private money market (also to a smaller extent being loaned by banks). Failures occur but not as often as one would suppose in such an industrialisation rush. The optimists are winning the argument—by deeds; and new products from new factories are being poured out. How many more thousand factories will be operating here before the end of 1958? The trend is on the up and up. Construction companies have several hundred of factories in their books for completion this or next year. More sites are being developed for accommodation of factories. The rocks are blasted away, land is levelled, another factory rises.

The question where to find buyers abroad is apparently never much discussed or if so then it is quickly dismissed with a few optimistic 'market appraisals'. It is not going ahead, it is rather much like storming ahead; or is this factory building a sign that businessmen have little faith in the future of entrepot trade and that they believe that there is no alternative, if the community is to live and to prosper, than to manufacture and sell the products to all comers. The 'Empire' connection would seem to be vital for the continued health of our industries, and therefore a change in the political constitution of Hongkong could not possibly be contemplated by owners or workers. The factory boom could be analysed as another indication for the community at large being most anxious to remain politically undisturbed and under the same law and order as now and for the last hundred odd years. Hongkong may become another little Japan but only in the light industrial field. Indeed, buyers abroad claim that we already resemble with our products the Japan of a few decades ago. The support Hongkong obtains from so-called Empire (Commonwealth) markets is however so important that without it the boom would turn to a killing bust. Furthermore, the position of overseas Chinese in Southeast Asia, who are very frequently the customers of our products, is also to be watched as in case of there being gradual changes, and the import trade in those countries comes more under native control and direction, many orders which otherwise would have been placed with Hongkong might be going to other countries.

FINANCE & COMMERCE

HK EXCHANGE MARKETS

U.S.\$

May	T.T. High	T.T. Low	Notes High	Notes Low
20	\$629¼	629	627½	626¾
21	628¾	628	627½	625¾
22	629	628½	626¾	626
23	630½	629	628¾	626½
24	631½	630½	629¾	627¾
25	631½	630¾	629¾	628½

D.D. rates: High 629¾ Low 626.

Trading totals: T.T. US\$3,410,000; Notes cash \$325,000, forward \$2,510,000; D.D. \$460,000. The market was steady with rates up slowly. In the T.T. sector, importers and exchange operators provided steady demand absorbing offers from Japan, Korea and the Philippines. In the notes market speculative activities reduced. Interest for change over favoured sellers and aggregated HK\$1.60 per US\$1,000. Speculative positions averaged US\$2 million per day. In the D.D. sector, market continued active.

Far Eastern Exchange: Highest and lowest rates per foreign currency unit in HK\$: Philippines 1.76—1.75, Japan 0.01485—0.01475, Malaya 1.876, Vietnam 0.0666—0.0645, Laos 0.06, Cambodia 0.078, Thailand 0.2906—0.2898. Sales: Pesos 330,000, Yen 115 million, Malayan \$265,000, Piastre 11 million, Kip 5 million, Rial 5 million, and Baht 3 million. **Chinese Exchange:** People's Yuan notes quoted HK\$1.45 per Yuan. Taiwan Dollar notes quoted HK\$0.17—0.167 per Dollar, and remittances 0.162—0.159. **Bank Notes:** Highest and lowest rates per foreign currency unit in HK\$: England 16.78—16.75, Scotland and Ireland 14.00, Australia 12.65, New Zealand 15.42—15.40, Egypt 11.00, East Africa 15.40, West Africa 13.50, South Africa 16.48—16.45, Jamaica 13.50, Fiji 10.00, India 1.191—1.1905, Pakistan 0.86—0.85, Ceylon 1.00, Burma 0.50, Malaya 1.84—1.835, Canada 6.565—6.53, Cuba 5.00, Argentina 0.17, Brazil 0.07, Philippines 1.76—1.75, Switzerland 1.42, West Germany 1.42, Italy 0.0093, Belgium 0.11, Sweden 1.02, Norway 0.72, Denmark 0.77, Netherlands 1.46, France 0.0153—0.015, Vietnam 0.075—0.074, Laos 0.059—0.058, Cambodia 0.077—0.076, North Borneo 1.60, Indonesia 0.145—0.125, Thailand 0.282—0.2795, Macau 1.017—1.01, Japan 0.01585—0.0155.

Gold Market

May	High .945	Low .945	Macau .99
20	\$276¾	275½	Low 286¼
21	276¾	276	
22	276¾	276	
23	278¼	276½	
24	279½	278	
25	280	278½	289 High

Opening and closing prices were 275½ and 279¼; highest and lowest were 280 and 275¼. The market was firm on dwindled stock, heavier demand, high interest in favour of buyers and firm indents. Interest for change over favoured buyers and aggregated HK\$ 9.94 per 10 taels of .945 fine. Tradings averaged 8,500 taels per day and amounted to 51,000 taels for the week, in which 10,320 taels were cash transactions (2,220 taels listed and 8,100 taels arranged). Speculative positions averaged 18,100 taels per day. Imports from Macau totalled 4,100 taels. Exports amounted to 8,500 taels (4,500 taels to Singapore, 2,500 taels to Indo-

nesia, and 1,500 taels to India). Differences paid for local and Macau .99 fine were HK\$13.20—13.00 and 12.50—12.00 respectively per tael of .945 fine. Cross rates were US\$37.75—37.72 per fine ounce; indents quoted 37.73 cif Macau. US double eagle old and new coins quoted HK\$295—293 and 270—268 respectively per coin. English Sovereigns HK\$67 per coin, and Mexican gold coins HK\$302—299 per coin. **Silver Market:** 500 taels of bar silver traded at HK\$5.95—5.92 per tael; 1,000 dollar coins at HK\$3.84—3.82 per coin; and 1,500 twenty-cent coins traded at HK\$2.94—2.92 per five coins.

HK SHARE MARKET

The market last week opened firm but profit-taking forced quotations down and many closing rates were slightly lower than previous week. Trading volume was restricted in many cases by the wide gap between buying offers and selling quotations; there was no selling pressure.

HK Wharves registered no transactions; buyers tried to force the price down to 105 but sellers came down only \$1 from 109 to 108. Star Ferries attracted buyers at 133 and later firmed to 135 in spite of many counteroffers at 131. Cement had over 1,500 shares traded at 33.50 after which buyers offered only 33 but sellers insisted on

33.50 and finally 600 shares changed hands at 33.25. Telephones fluctuated between 27.50 and 28.90, closed 20 cents better because demand was stronger than profit-taking. Nanyangs up by 15 cents because dividend was 20 cents higher than previous year. Other fluctuations were small and the market closed steady.

Monday: steady market; turnover \$800,000. **Tuesday:** light scale profit-taking caused drops; \$700,000. **Wednesday:** no selling pressure; \$366,000. **Thursday:** steady; \$780,000. **Friday:** dull; \$430,000.

Dividends: China Underwriters Limited—55 cents on each ordinary share; China Emporium Limited—80 cents per ordinary share.

Share	May 17	Last Week's Rate		Closing	Up & Down	Dividend	Annual Yield*
		Highest	Lowest				(%)
HK Bank	1645	1650	1640 b	1645	steady	\$80	4.86
Union Ins.	932.50	937.50 s	930 s	930	-\$2.50	\$34	3.66
Lombard Ins.	38 b	XD 37	38 b	XD 37 n	firm	\$2	5.41
Wheelock	7.40	7.45	7.35	7.40	firm	75c	10.14
HK Wharf	109 s	109 s	105 b	108 s	-\$1	\$6	5.56
HK Dock	45	44.75	44 b	44.50 s	-\$0c	\$2	4.49
Provident	13.20	13.20	13	13.20 s	steady	\$1	7.58
HK Land	36.50	36.75	36.25	36.50 s	steady	\$3.50	9.59
Realty	1.50	1.50 s	1.475	1.50 s	steady	15c	10.00
Hotel	15.60	15.60 s	15.40	15.60 s	steady	\$1	6.41
Trams	23	23.10	22.60	22.60	-\$40c	\$1.70	7.52
Star Ferry	135 n	135	133	135	steady	\$9	6.67
Yaumati	105	104	103	103	-\$2	\$7.50	7.28
Light	19.60	19.50	19.10	19.40	-\$20c	\$1.10	5.67
Electric	30.50	30.75	30	30.25	-\$25c	\$2	6.61
Telephone	27	27.50	26.90	27.20	+20c	\$1.50	5.51
Cement	33.50	33.50	33 b	33.25	-\$25c	\$4	12.03
Dairy Farm	15	15	14.80	14.90	-\$10c	\$1.63	10.94
Watson	11.90	11.90	11.80	11.80	-\$10c	\$1	8.47
Yangtze	6.25	6.25	6.15 b	6.15 b	-\$10c	70c	11.38
Allied Inv.	4.475	4.475	4.45 b	4.475 b	steady	25c	5.59
HK & FE Inv.	10.20 b	10.30	10.20 b	10.20 b	steady	75c	7.35
Amal. Rubber	1.50	1.525	1.50 b	1.50	steady	28c	18.87
Textile	4.75	4.725 s	4.625 b	4.675 s	-7½c	50c	10.69
Nanyang	8.10	8.25	8.05	8.25 b	+15c	\$1	12.12

* Annual Yields are only ESTIMATES calculated with current X-All rates against last year's dividends.

SINGAPORE SHARES

After earlier hesitancy the market livened up towards the close during the week ended May 17. Interest was mainly focussed on Tin shares. Industrial opened quietly but later came in for renewed enquiry, though price changes were few. Sterling Rubbers again had a large turnover. Considerable business in local Loans recorded.

Further advance was recorded in Consolidated Tin Smelter Ords. which were taken from 34/9 to 35/4. Fraser & Neave Ords. marketed from \$2.41½ to \$2.40. Gammon after declining to \$1.92½ closed at \$1.94—\$1.98. W. Hammer changed hands in quantity from \$2.05 down to \$1.97½, and later at \$2.05 again. Henry Waugh came to business at \$1.84 to \$1.85, Jackson & Co. at \$1.55 c.d., Malayan Breweries at \$3.02½ and Malayan Cement at \$1.57½. McAlisters had heavy sales from \$3.40 to \$3.45 to \$3.40, Robinson Ords. from \$1.77½ up to \$1.82½, Sime Darby at \$2.77½ and Singapore Cold Storage at \$1.82½ & \$1.83. Singapore Traction Ords. were dealt in at 23/4½ & 23/6, St. Traders at \$23, Uniteer Ords. from \$9.75 to \$9.85, Wearne Bros. from \$3.08 to \$3.05 and Wm. Jacks at \$3.30 cci. Austral Amalgamated after initial sales at 24/1½ declined to 23/6 but hardened again at 24/6. Despite the fact that the last Accounts showed General Reserves in excess of issued capital, it is proposed to issue only 7 free shares for every ten held. The parent company, Austral Malay which proposes a 1 for 1 issue had business on Friday at 54/6. Berjuntai firmed from 15/1½ to 15/-. Business passed in Idris at 12/6 c.c.i., c.c.r., Kampong Kamunting at 12/9 and Kinta Kellas at 10/-. Kampong Lanjut placed at 50/-, a rise of 4/-. Kuala Kampar also improved from 43/6 to 45/6. Larut changed hands at 8/7½ & 8/8, Pengkalen Ords. at 19/- c.c.r., Petaling at \$2.90 to \$2.87½ having buyers over at the latter price, Rantau from \$2.10 to \$2.06, Renong Tin at 10/9½, Southern Malayan at 12/- and Sungei Way at \$1.57½ & \$1.58½. Amongst Sterling Rubber shares Bertam Consol. traded at 2/9 to 3/-. Beradin at 3/3½, Bruseh at 2/4½, Bukit Tupah 3/-, Ipoh Rubber at 5/-. Port Dickson Lukut at 4/3 & 4/3½, and Pilmoor at 2/1½. Rantanui on strong support advanced with sales from 3/10½ up to 4/9 and Sungei Siput from 2/9½ up to 2/11. Sungei Chinoh had dealings at 1/5 & 1/4½, Teluk Piah at 2/5½ & 2/6 and Yam Seng at 2/9.

TRADE REPORTS

Last week's record breaking torrential rains did not affect trading in the local commodity market but obstructed imports of foodstuffs from Canton by rail and delayed loading and unloading of vessels in the harbour. Demand from Europe and Japan for China produce and from Korea for paper remained selective. China continued to absorb metals from here but the volume dropped as prices firmed. Cement retained firm local and export demand but pharmaceuticals and chemicals remained slow while spot transactions in yarn, cloth, rice, flour and sugar were limited to insignificant quantities.

Tramp rates were reduced but shipping companies continued to collect the 5% freight surcharge on cargo to and from Europe (including UK) shipped by steamers on regular runs.

Trade with China: The fact that the embargo issue remained unsolved in Paris meetings did not worry the majority of local dealers because trade between HK and China had already fallen into a pattern of its own and would not be affected to any large extent by the lifting of embargo. During the week, foodstuffs constituted the major portion of imports from China. Consignments of paper, cement, beans and other staples remained insignificant not because China had curtailed exports to meet domestic demand but on account of Peking's increased direct sales to SE Asia and Japan. At the Products Fair in Canton, HK dealers bought large quantities of fresh and dried fruits, marine products and sundry provisions as well as small lots of egg products, beans, cement, paper, silk piece goods and wire nails. According to Canton reports, large quantities of woodoil, egg products, bitter almond, raw silk, feather and hog casing were sold to European buyers' HK agents for direct shipments from China to Europe. Items shipped here, because overseas markets had not yet been developed, included printed linen and khaki. Chinese rice continued to reach here but the quantity curtailed on account of shortage on the mainland; last week, Peking bought 50,000 tons of rice from Burma.

Trade with Japan: Japan's purchase of China produce from the local market continued to decline in volume; exports last week included 4,900 tons iron ore, 800 tons scrap and about 300 tons beans, sesame, cow hide and herb medicines. There was still no order from Japan for steel bars. Imports from Japan remained steady; cement,

paper, sundry provisions, fruits, china-ware, sewing machine, rayon and cotton textiles made up the major portion of the tonnage. Reports from Yokohama alleged that due to the unusually heavy consignments of industrial products to SE Asia at the beginning of the year, many Japanese firms could not get their funds back from these markets which are now suffocated with Japanese goods. To China, Japan sold 5,050 tons of galvanized iron sheet; deliveries will be made before end of September.

Trade with UK and Europe: Imports of metals from UK and Europe slowed down; there will be about 2,500 tons of metals from these two sources next week but no further heavy shipments expected. Exports of HK manufactured cotton textiles, towel, shirt, plastic products, rubber shoes and rattanware amounted to about 2,000 tons last week; consignments of China produce negligible. Demand from Germany, and other European countries for China produce improved but still limited to a few items and restricted by short stock here. Exports of HK manufactures to Europe continued to improve particularly in shipments to Denmark, Germany, Norway and Sweden but demand from Belgium was weaker than last year.

Trade with US: Imports from US totalled 4,000 tons consisting chiefly of cigarettes, milk, fruits, canned and frozen food, summer apparel, air conditioning units, machinery and equipment, cotton, textiles, pharmaceuticals and cosmetics. Local mills did not book new supplies of raw cotton from US because indents were more expensive than quotations from Brazil and other sources. Exports to US exceeded 2,000 tons; rattan furniture and articles accounted for about 3/4 of the tonnage.

Trade with Canada: Local rubber shoes manufacturers reported that Canadian authorities were considering to restrict imports of rubber footwear. This item constitutes about 50% of HK products shipped to Canada at present and curtailment of such shipments will further cut export of HK manufactures to that destination which is already lower this year compared with same period 1956.

Trade with Indonesia: Purchasing Authorizations covering part of the US\$2.5 million worth of HK cotton textiles sold to Indonesia against payments in US raw cotton finally reached here from Djakarta. Authorities there also considered to resume the issuance of import licenses for machinery and equipment as well as various industrial

supplies including cotton yarn in view of the shortage of these items in Indonesia. Purchases from here last week covered by old licenses included small quantities of metals, torch and Chinese foodstuffs. The value of rupiah against HK dollars recovered from \$123 to \$137 for every 1,000 rupiah.

Trade with Thailand: There was not much improvement in demand from Bangkok in spite of the recent relaxation of import control there. This was partly due to Vientiane's curtailment of imports from Bangkok. Demand from Thailand for HK products so far this year is not as strong as last year.

Trade with Korea: Seoul returned to the local market for paper but interest was centred on a few items and volume of the purchase small. There were also orders for small quantities of metals and pharmaceuticals from here and 20,000 tons of rice direct from Thailand to Korea. Shipments to Korean ports last week included about 1,200 tons of paper, sewing machines, dye-stuffs and wheat flour. Local dealers are anticipating more orders from Seoul for various industrial supplies.

Trade with Taiwan: Consignments of sugar, garlic, onion, fruits, starch, tea, camphor products, feather and live pigs from Taiwan exceeded 2,500 tons last week but exports of metals, chemicals and milk products to Keelung and Kaohsiung totalled only 100 tons. Trade with Taiwan during the first four months this year has already given HK a deficit of \$14 million compared with the deficit of \$3 m. for the whole year of 1956. However, as long as HK is able to sell Taiwan sugar, citronella oil, feather, garlic to SE Asia and Europe, such an increase in the red is not unhealthy.

Trade with Malaya: Exports of sugar, cement and Chinese foodstuffs to Singapore and other Malayan Ports exceeded 3,000 tons. Reports from Singapore indicated that barter dealings between Indonesia and Malayan ports had been active lately. Malaya is still not very successful in selling rubber to Peking. Rubber merchants in Kuala Lumpur and Singapore were considering to have a Peking purchasing agent in Singapore; they argued that China's heavy purchase of rubber from Indonesia had been facilitated by the presence of a Peking representative in Djakarta.

Trade with the Philippines: Manila shipped here large consignments of mangoes and bought from the local market metals and pharmaceuticals. Exports to the Philippines also included

cotton yarn and cloth covered by previous transactions; no new order for cotton textiles.

Trade with Cambodia remained active; orders covered European and US chemicals and metals, HK wheat flour, Japanese cement and Chinese foodstuffs. In return, HK bought more staples, live pigs and scrap from Phnompenh. No orders reached here from Laos; reports from Bangkok disclosed that large quantities of transit goods from HK and Japan (purchased early this year) to Laos are now stranded in Thailand. There was no improvement in trade with South Vietnam; prospects dull because Saigon had further tightened import restrictions. Cargo movements between HK and North Vietnam were also slow; supply of woodoil and other staples inadequate while demand from Haiphong for paper and other items restricted by low buying offers.

Trade with Burma: Exports to Rangoon consisted chiefly of HK manufactures and Chinese goods. Demand for Japanese sundries and other products from the local market remained weak because Japan sent exports direct to Burma. Orders from Rangoon last week covered small quantities of torch cell, tooth brush, talcum powder, enamelware, cotton textiles, canned food and other foodstuffs. Demand for HK cotton textiles is, at present, restricted by low buying offers from Rangoon.

Trade with Africa: Cargo movements between HK and South Africa were very active as a result of HK's increased imports of fruits and staples and better demand from S.A. for shirt, cotton textiles, plastic goods, metal ware and cosmetics following recent relaxation of import restrictions there. French West Africa sent here almost nothing but bought from the local market rainwear, enamelware and other HK manufactures; many shipments were made via Europe and UK. Imports of cotton, groundnut oil, tobacco, ivory, tanning extract from East Africa totalled about 1,000 tons. last week. Demand from East Africa particularly from Madagascar for various HK manufactures slowed down; Madagascar reported bad coffee crops recently.

Trade with North Borneo: Imports of rubber, timber and firewood averaged 2,000 tons a week but exports to this destination insignificant. Demand from North Borneo will not improve if traders there cannot send various foodstuffs and commodities to the Philippines; NB's domestic consumption is very limited.

Trade with Australia: While imports from Australia during the first four months this year increased over those of same period last year, exports further declined. The drop of import duties in Australia for industrial supplies and wearing apparel will not improve the situation to any appreciable extent.

China Produce: In addition to indents for direct shipments of woodoil, bitter almond and egg products from China, Europe also bought spot goods from here including aniseed star, rosin and spun silk but quantities involved were small. Japan remained quiet but dealers here still expect orders from this source in the near future for small quantities of beans and oilseeds. The market in general was steady with demand also from Singapore for groundnut, gypsum, garlic, camphor powder; from the Philippines for red bean; from Australia for aniseed oil; from New Zealand for woodoil; from Ceylon for dried chilli; from Cambodia for garlic and from India for cassia and galangal. Supply came chiefly from SE Asia.

Metals: The market was steady after recent declines. Turnover was small because buying offers from China and SE Asia remained low while dealers here insisted on better prices. More supply arrived from Europe, UK, US but tonnage was much less than last month and dealers here still refrained from booking new indents from various suppliers. As a result, prices closed firm at weekend. Items which retained keen demand from China, Taiwan, Korea, Okinawa and SE Asia included round bars, galvanized iron pipe, iron wire rod, wire nails, galvanized iron wire and sheet, mild steel plate, black and tin plate and waste waste; Japan bought mild steel plate cuttings and high grade scraps but no bars.

Paper: Trading slowed down because Korea bought only small quantities of woodfree, cellophane and glassine while SE Asia sent here more enquiries than orders for newsprint in reams, cellophane, cigarette paper and packing paper. Local demand for newsprint in ream, woodfree, poster, sulphite, m.g. cap and straw board remained steady but consumption limited. Situation may improve with more supply from Europe to meet the demand from Korea but dealers here will have to make their quotations attractive to Seoul.

Pharmaceuticals: Demand from China covered only sulfadiazine and salicylic acid. There were also more enquiries than orders from Singapore for

amidopyrin, antipyrin and saccharine crystal; from Korea for phenacetin, dihydrostreptomycin and sulfaguanidine. Dihydrostreptomycin was also favoured by South Vietnam and local retailers but prices did not improve on account of substantial spot goods available. Local demand for fine chemicals remained steady. Trading volume remained small.

Industrial Chemicals: The market registered no improvement in export and local demand. Prices steady chiefly on firm indents.

Cotton Yarn & Piece Goods: HK yarn and cloth remained firm and the sentiment in the market was optimistic following the arrival from Djakarta of the overdue Purchasing Authorizations for cotton textiles ordered against payment with US raw cotton. Pakistan yarn did not advance on marked-up indents because spot transaction here dull. Chinese cotton piece goods continued sluggish but Japanese grey, white cloth and shirting steady on demand from local bleaching and garment factories.

Rice: Korea bought about 20,000 tons of Thai rice through local dealers but shipments will be made direct from Bangkok to Pusan; local market unaffected. High grade rice steady last week because imports from China and Thailand were not very heavy. Broken rice declined under selling pressure of Saigon rice.

Wheat Flour: HK flour steady on local demand and orders from Cambodia. Imported brands sluggish but US products steady on high exchange rate for US dollars in HK.

Sugar: Saigon booked a large consignment of Taiwan sugar through HK dealers but shipments will be made direct from Taiwan to South Korea. Spot sales slowed down with only Singapore providing limited demand while supply continued to arrive from Taiwan. HK products were marked down slightly from recent hikes.

Cement: Local demand for cement remained very strong and exports to SE Asia steady; prices here therefore

continued firm especially when supply from China curtailed and indents for Japanese products high.

Gunny Bags: The firm market turned sluggish because Haiphong suspended purchases from here after prices for spot goods had hiked too much; orders were placed for direct shipments from India to North Vietnam.

HONGKONG COMPANY INCORPORATIONS

Following new limited liability companies were incorporated during the fortnight ended May 4, 1957 (all capital is nominal and in HK\$):

Gray Land Investment Co.—Capital 2 million; 1 Des Voeux Road Central, Hongkong; Subscribers: R. H. Hindmarsh, 1 Prince's Building, Hongkong, solicitor; Raymond E. Moore, 1 Prince's Building, Hongkong, solicitor. **International Toy Manufacturing Co.**—Capital: 200,000; Subscribers: Lee Man Kit, 75A Sing Wo Road, Hongkong, solicitors' interpreter; Marshall G. Laing, 11 Macdonnell Road, Hongkong, solicitor. **White House Hotel**—Capital: 50,000; 103 Wanchai Road, Hongkong; Subscribers: Chung Hau Chuen, 19 Arbuthnot Road, Hongkong, merchant; Yip Wai Lam, 9 Village Terrace, Hongkong, married woman. **The Devonshire Manufacturing Co.**—Exporters and importers; Capital: 1 m.; Subscribers: Tsang Chuen, 240 Sai Yeung Choi Street, Kowloon, merchant; Tsang Yeu Tong, same address, merchant. **The Cordial General Traders**—Capital: 500,000; 315 Tak Shing House, Hongkong; Subscribers: Chan Shou Tai, Po Man Village, Kowloon, merchant; Ko Chun Pong, 248 Prince Edward Road, Kowloon, merchant. **H. L. Lim & Co.**—To establish elementary and middle schools; Capital: 100,000; 2 Nelson Street, Kowloon; Subscribers: Lim Hoy Lan, Villa Meemar, 11th Mile, Castle Peak Road, Kowloon, headmaster; Henry Lim, same address. **The National Cash Register (HK) Co.**—Capital: 1.5 m.; Subscribers: W. S. Anderson, 66 Stanley Village Road, Hongkong, company executive; P. J. Griffiths, 27 South Bay Road, Hong-

kong, solicitor. **United Garment Manufacturing Co.**—Capital: 100,000; 268 Hai Tan Street, Shamshui, Kowloon; Subscribers: Wong Ho Sang, 8 Purves Road, Hongkong, merchant; Mak Hoi Shun, 19 Ko Shing Street, Hongkong, merchant; Choy Yee, 38 Lion's Rock Road, Kowloon, merchant. **Cheong Hing Enterprises**—To acquire lands; Capital: 200,000; 406, Loke Yew Building, Hongkong; Subscribers: Chan Chak Fu, 2 Somerset Road, Kowloon; merchant; Pang Shui Yu, 10 Osmanthus Road, Kowloon, merchant; Ching Jung Kao, 12 Minden Avenue, Kowloon, merchant. **Yau Hing Land Investment Co.**—Capital: 2 m.; 406, Loke Yew Building, Hongkong; Subscribers: Chan Chak Fu, 2 Somerset Road, Kowloon, merchant; Pang Shui Yu, 10 Osmanthus Road, Kowloon, merchant; Ching Jung Kao, 12 Minden Avenue, Kowloon, merchant. **Greystones Investments**—To deal in securities; Capital: 20,000; Alexandra House, Hongkong; Subscribers: Sidney Samuel Gordon, R.B.L. 596 Deep Water Bay, Hongkong, chartered accountant; Kenneth Andrew Miller, 16 Branksome Towers, May Road, Hongkong, chartered accountant. **Malaysia Investment Co.**—Importers and exporters; Capital: 100,000; 228 Wang Hing Building, Hongkong; Subscribers: J. C. Stewart, 13 Douglas Apartments, Peak Road, Hongkong, solicitor; S. Sinclair Stevenson, 10 Queen's Road Central, Hongkong, solicitor. **Golden Palace Restaurant**—Capital: 50,000; 450 Prince Edward Road, Kowloon; Subscribers: Wong Ying, 450 Prince Edward Road, Kowloon, merchant; Ling Man Yuen, 23 Haiphong Road, Kowloon, merchant. **Tai Yick Lai Kee**—Goldsmiths & silversmiths; Capital: 600,000; 238 Queen's Road Central, Hongkong; Subscribers: Chee Kaw Ho, 1 Derby Road, Kowloon, merchant; Lam Wai Yue, 14 Electric Street, Hongkong, merchant. **Kowloon Mining Development Co.**—Capital: 100,000; 11 Magnolia Road, Yau Yat Chuen, Kowloon; Subscribers: Lee Chun, 11 Magnolia Road, Yau Yat Chuen, Kowloon, merchant; Leung Fat, 29 King Kwong Street, Hongkong. **Leader Manufactory**—Manufacturers of thermos flasks & plastic-ware; Capital: 200,000; 31 San Shan Road, Kowloon; Subscribers: King Tung Ming, 6 Kai Yuen Terrace, Hongkong, merchant; Audrey Chow 5, Rutland Quadrant, Kowloon, technician.